EVEREST MEDICINES

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Everest Medicines Limited

雲頂新耀有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1952

GLOBAL OFFERING

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

Goldman Sachs

BofA SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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CICC 中金公司

CREDIT SUISSE

Joint Bookrunners and Joint Lead Managers

NOMURA

BROCADE RIVER

IMPORTANT

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

Everest Medicines Limited
雲頂新耀有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**63,547,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	**:**	**6,355,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**57,192,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$55.00 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**US$0.0001 per Share**
Stock code	**:**	**1952**

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

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

The Offer Price is expected to be fixed by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or around Wednesday, 30 September 2020. If, for any reason, the Offer Price is not agreed by Thursday, 8 October 2020, the Global Offering will not proceed and will lapse. The Offer Price will be no more than HK$55.00 per Offer Share and is currently expected to be no less than HK$50.00 per Offer Share unless otherwise announced.

The Joint Representatives may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Grounds for termination" for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk factors".

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

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.everestmedicines.com). If you require a printed copy of this document, you may download and print from the website addresses above.

25 September 2020

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and our website at www.everestmedicines.com. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Public Offer Shares, you may:

(a) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(b) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or

  (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request.

If you have any question about the application for the Hong Kong Public Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, both at +852 2862 8600 on the following dates:

Friday, 25 September 2020 — 9:00 a.m. to 9:00 p.m.
Saturday, 26 September 2020 — 9:00 a.m. to 6:00 p.m.
Sunday, 27 September 2020 — 9:00 a.m. to 6:00 p.m.
Monday, 28 September 2020 — 9:00 a.m. to 9:00 p.m.
Tuesday, 29 September 2020 — 9:00 a.m. to 9:00 p.m.
Wednesday, 30 September 2020 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Public Offer Shares" in this document for further details of the procedures through which you can apply for the Hong Kong Public Offer Shares electronically.

Your application must be for a minimum of 500 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$
500	27,777.12	8,000	444,433.88	70,000	3,888,796.45	600,000	33,332,541.00
1,000	55,554.24	9,000	499,988.12	80,000	4,444,338.80	700,000	38,887,964.50
1,500	83,331.36	10,000	555,542.35	90,000	4,999,881.15	800,000	44,443,388.00
2,000	111,108.47	15,000	833,313.53	100,000	5,555,423.50	900,000	49,998,811.50
2,500	138,885.59	20,000	1,111,084.70	150,000	8,333,135.25	1,000,000	55,554,235.00
3,000	166,662.71	25,000	1,388,855.88	200,000	11,110,847.00	1,500,000	83,331,352.50
3,500	194,439.83	30,000	1,666,627.05	250,000	13,888,558.75	2,000,000	111,108,470.00
4,000	222,216.94	35,000	1,944,398.23	300,000	16,666,270.50	2,500,000	138,885,587.50
4,500	249,994.06	40,000	2,222,169.40	350,000	19,443,982.25	3,177,500(1)	176,523,581.72
5,000	277,771.18	45,000	2,499,940.58	400,000	22,221,694.00		
6,000	333,325.41	50,000	2,777,711.75	450,000	24,999,405.75		
7,000	388,879.65	60,000	3,333,254.10	500,000	27,777,117.50		

Note:

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

	Time and date[1]
Hong Kong Public Offering commences	9:00 a.m. on Friday, 25 September 2020
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, 30 September 2020
Application lists open[3]	11:45 a.m. on Wednesday, 30 September 2020
Latest time for (a) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 30 September 2020

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3]	12:00 noon on Wednesday, 30 September 2020
Expected Price Determination Date[5]	Wednesday, 30 September 2020
Announcement of the Offer Price, and the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on our website at **www.everestmedicines.com**[6] and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Thursday, 8 October 2020
The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:	
• in the announcement to be posted on our website of **www.everestmedicines.com** and the website of the Stock Exchange at **www.hkexnews.hk**	Thursday, 8 October 2020
• from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	8:00 a.m. on Thursday, 8 October 2020 to 12:00 midnight on Wednesday, 14 October 2020
• from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from	Thursday, 8 October 2020 to Friday, 9 October 2020 and Monday, 12 October 2020 to Tuesday, 13 October 2020
Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7][9]	Thursday, 8 October 2020
White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before[8][9]	Thursday, 8 October 2020
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Friday, 9 October 2020

Notes:

(1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.

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

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 September 2020, the application lists will not open or close on that day. See "How to Apply for Hong Kong Public Offer Shares—Effect of bad weather and Extreme Conditions on the opening and closing of the application lists."

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to "How to Apply for Hong Kong Public Offer Shares—Applications for the Hong Kong Public Offer Shares—Applying through **CCASS EIPO** service."

(5) The Price Determination Date is expected to be on or around Wednesday, 30 September 2020 and, in any event, not later than Thursday, 8 October 2020. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Thursday, 8 October 2020, the Global Offering will not proceed and will lapse.

(6) None of the websites set out in this section or any of the information contained on the websites forms part of this document.

(7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

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

(9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Public Offer Shares may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 8 October 2020 or such other date as notified by us as the date of dispatch/collection of Share certificates/ e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Public Offer Shares through **CCASS EIPO** service should refer to "How to Apply for Hong Kong Public Offer Shares—Despatch/collection of share certificates/e-refund payment instructions/refund checks—Personal Collection—If you apply through **CCASS EIPO** service" for details.

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

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

Further information is set out in "How to Apply for Hong Kong Public Offer Shares—Refund of application monies" and "How to Apply for Hong Kong Public Offer Shares—Despatch/collection of share certificates/e-refund payment instructions/refund checks."

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

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

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this document to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representations not contained or made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors". ***In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Lisitng Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules.*** *You should read the entire document carefully before you decide to invest in the Offer Shares.*

OVERVIEW

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially novel or differentiated therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets. We believe our productive business development, clinical development and regulatory teams and integrated commercial platform position us to accelerate developmental timelines for our drug candidates and to benefit from China's new regulatory and reimbursement policies.

Our Company was founded by CBC Group, a healthcare private equity firm with a diverse portfolio of investee companies in pharmaceuticals, biotech, medical technology and healthcare services, in July 2017. Since the founding of our Company, we have created a scalable platform, assembled an experienced and visionary management team, and built a portfolio of eight promising clinical-stage drug candidates across oncology, immunology, cardio-renal disease, and infectious disease. We have targeted these four therapeutic areas because of significant unmet medical needs, the substantial number of patients in each area, and the availability of innovative products globally. Leveraging a broad and experienced business development team in the United States and Europe with a local presence in four cities, we have built strong relationships with global biopharmaceutical companies, and systematically screened and evaluated assets within each therapeutic area of focus that are differentiated and late-stage, and that we believe have significant commercial potential in Greater China and emerging Asia Pacific markets. To develop our drug candidates, we have assembled a senior leadership team with an extensive track record of successfully developing novel therapies, navigating the evolving regulatory environment, and commercializing innovative medicines in China. An entrepreneurial culture is the backbone of our Company: our subject-matter experts in each therapeutic area are focused on net value creation and their incentives are tied closely to performance. We endeavor to build a leadership position in each of our chosen therapeutic areas through anchor assets in each of our four initial areas of focus and we have demonstrated our ability to successfully advance our drug development projects.

We have an in-licensing business model and all eight drug candidates in our product pipeline, including the two Core Drug Candidates, and their relevant patents were in-licensed from third parties. We do not own the patents in-licensed from our licensors. We will continue to pay milestone payments and royalty payments to the licensors for all our in-licensed products. We also rely on our licensors in certain other aspects. For example, we utilize our partners' global supply chain to provide supply for most of our clinical trials, and we plan to use this supply chain for our initial commercial launch. Our clinical development is led by a team of clinicians, who has demonstrated internal clinical development capabilities to initiate and complete clinical trials for our products. However, our clinical development team has not brought any of our products to commercialization as of the Latest Practical Date, and we may not be able to achieve commercialization. See "Business—Overview of Our License Agreements" for detailed disclosure on the terms of our license agreements and "Risk Factors—Risks Related to Our

Business—Risks Related to Our Reliance on Our Business Partners" for details of the potential risks involved.

Executing a disciplined and proactive approach to identify and select additional drug candidates is central to our growth strategy. We leverage our understanding of prevailing medical practices, the competitive product landscape, epidemiological trends and the regulatory environment in China to inform our search for new partnership drug candidates. Our preference is to identify post-proof-of-concept stage assets with attractive risk-reward potential in China. This strategy allows us to bypass early-stage scientific and clinical risks and focus on products that have achieved or are relatively close to regulatory approval and commercialization and have a high probability of success. Our directors and officers have extensive relationships with large pharmaceutical and biotech companies outside of China. Such relationships enhance our brand image and our ongoing business development efforts. Moreover, within each of our therapeutic areas, we have built strong clinical development capabilities with a deep knowledge of the Chinese market and regulations and extensive contacts with key opinion leaders and hospitals. Our clinical development teams use their expertise to systematically evaluate and identify assets that have significant commercial potential in China. At the same time, we align teams' incentives with the successful outcome of drug candidates to reinforce a disciplined and rigorous approach to evaluating new opportunities. We believe this leads to both quicker execution and better capital allocation decisions.

The chart below summarizes our product pipeline.

	Molecule (Modality)	Partner	Commercial Right (In-licensing time)	Clinical Development Plan	Indication	IND Approval	R&D Progress Post In-licensing	China Ph 3 / Pivotal		Clinical Status	
								Planning	Enrollment	Global	Other APAC
Oncology	Trodelvy / sacituzumab Govitecan (ADC)	Immunomedics	Greater China, South Korea, Mongolia, SE Asia (Apr 2019)	Local, multi-regional and global trials	mTNBC (3L)	✓	IND for pivotal trial approved			BLA approved in US	Seek BLA approval based on US approval; include South Korea and Taiwan in multi-regional trials
					HR+ / HER2-(3L)					Phase 3	
					mUC (2/3L)					Phase 2/3[1]	
					mTNBC (1L)					Phase 2	
					Asia basket trial					-	
	FGF401 (Small Molecule)	NOVARTIS	Worldwide (Jun 2018)	Local trials	HCC	✓	Phase 1b/2 trial initiated			Phase 1/2	
Immunology	Etrasimod (Small Molecule)	ARENA	Greater China, South Korea (Dec 2017)	Multi-regional and global trials	Ulcerative Colitis	✓	PK bridging trial completed, Phase 3 trial initiated			Phase 3	South Korea and Taiwan included in multi-regional trial
					Other autoimmune diseases (CD and AD)					Phase 2/3[2]	
Cardio-renal	Nefecon (Small Molecule)	calliditas	Greater China, Singapore (Jun 2019)	Global trial	IgA nephropathy	✓	HGRAC and EC approvals received			Phase 3	Seek NDA approval based on US approval
	Ralinepag (Small Molecule)	United Therapeutics	Greater China, South Korea (Dec 2017)	Global trial	PAH	✓	Phase 3 trial initiated			Phase 3	
Infectious Disease	Xerava (eravacycline) (Small Molecule)	TETRAPHASE	Greater China, South Korea, SE Asia (Feb 2018)	Local trials	cIAI	✓	PK bridging trial completed, Phase 3 trial initiated, Singapore NDA approval			NDA approved in US and EU	NDA approved in Singapore; seek NDA approval based on US approval
	Taniborbactam (Small Molecule)	VenatoRx	Greater China, South Korea, SE Asia (Sep 2018)	Global trial	cUTI	✓	Phase 3 trial initiated			Phase 3	
	SPR206 (Small Molecule)	SPERO	Greater China, South Korea, SE Asia (Jan 2019)	Global trial	Gram negative infections					Phase 1	

Abbreviations: mTNBC=metastatic triple-negative breast cancer; HR+/HER2-=hormone receptor-positive/human epidermal growth factor receptor 2-negative; mUC=metastatic urothelial cancer; HCC= hepatocellular carcinoma; CD=Crohn's disease; AD=atopic dermatitis; IgA= immunoglobulin A; PAH=pulmonary arterial hypertension; cIAI=complicated intra-abdominal infections; cUTI=complicated urinary tract infections; IND= investigational new drug; BLA= biologics license application; NDA=new drug application; EU=European Union; 1L= first-line of treatment; 2L= second- line of treatment; 3L= third-line of treatment; SE Asia= Southeast Asia; US=United States; Greater China= PRC, Hong Kong SAR, Macau SAR and Taiwan.

Notes:
(1) Phase 2 trial for 3L mUC is a pivotal trial;
(2) Arena is conducting a Phase 2/3 program for CD and a Phase 2b program for AD;
(3) Planning;
(4) Ongoing

Our anchor asset in oncology is sacituzumab govitecan (Trodelvy), a first-in-class TROP-2 directed antibody-drug conjugate (ADC). TROP-2 is a membrane antigen that is over-expressed in many common epithelial cancers. According to the Frost & Sullivan Report, the incidence of cancers with TROP-2 overexpression was over 3.5 million, accounting for more than 78.9% of all cancer incidence

of 4.4 million in China in 2019, hence, sacituzumab govitecan may be effective in a broad range of tumors. We and our licensing partner, Immunomedics, Inc., or Immunomedics, are initially developing sacituzumab govitecan to treat breast cancer and urothelial cancer. In April 2020, sacituzumab govitecan was granted accelerated approval by the U.S. FDA for the treatment of patients with metastatic triple-negative breast cancer (mTNBC) who have received at least two prior therapies for metastatic disease, based on the overall response rate (33.3%) and the progression-free survival (5.5 months). In July 2020, Immunomedics announced positive results from the ASCENT Study, a Phase 3, randomized, confirmatory trial where sacituzumab govitecan significantly improved progression-free survival (PFS), overall survival (OS) and objective response rate (ORR) in mTNBC patients who have received at least two prior therapies for metastatic disease. We obtained IND approval in China from the NMPA in April 2020 for sacituzumab govitecan for a clinical trial in mTNBC as a third-line treatment. In 2020 and 2021, we anticipate the initiation of registrational bridging trials in mTNBC as a third-line treatment, a registrational trial in HR+/HER2- mBC as a third-line treatment, a registrational trial in metastatic urothelial cancer as a second-/third-line treatment, and an Asia basket study that includes patients with a variety of cancer types with high TROP-2 expression. We in-licensed 21 patents and patent applications for this anchor product.

Our anchor asset in infectious disease and one of our Core Drug Candidates is eravacycline (Xerava), a novel, potentially best-in-class parenteral synthetic tetracycline analog that blocks bacterial protein synthesis by binding to the 30S ribosomal subunit. Eravacycline has shown broad and potent *in vitro* activity against Gram-negative pathogens that have acquired multidrug resistance (MDR) and are prevalent in China, such as *Enterobacteriaceae* and *Acinetobacter baumannii*. According to the Frost & Sullivan Report, the gram-negative MDR antibiotics market is one of the fastest growing segments in infectious disease in China with a market size of RMB20.5 billion in 2019; it is expected to expand to RMB35.1 billion by 2024 and to RMB55.7 billion by 2030, representing a CAGR of 11.4% from 2019 to 2024 and 8.0% from 2024 to 2030, respectively. Eravacycline (Xerava) is currently approved for the treatment of complicated intra-abdominal infections (cIAI) in the United States and European Union. Eravacycline has been tested in 21 U.S. clinical trials comprising over 2,700 subjects completed by our licensing partner, Tetraphase Pharmaceuticals, Inc., from 2009 to 2018. In these studies, eravacycline demonstrated high cure rates in patients infections caused by both Gram-positive and with Gram-negative pathogens, including resistant isolates. We received NDA approval from the Health Science Authority in Singapore for eravacycline to treat cIAI in April 2020. Singapore is one of the territories where we have exclusive commercial rights for eravacycline. We have completed a Phase 1 PK bridging trial in China and are conducting a Phase 3 registrational trial for cIAI to support regulatory approval in China. We in-licensed 20 patents and patent applications for this anchor product.

Our anchor asset in immunology and one of our Core Drug Candidates is etrasimod, a potentially best-in-class, second-generation oral modulator of the sphingosine 1-phosphate receptors (S1PR) 1, 4 and 5. The initial indication for etrasimod is ulcerative colitis (UC), but additional opportunities exist in Crohn's disease (CD) and autoimmune skin disorders such as atopic dermatitis, which are historically underdiagnosed and undertreated in China. According to the Frost & Sullivan Report, the market size of UC was RMB3.4 billion in 2019 in China and is expected to expand to RMB8.1 billion by 2024, representing a CAGR of 18.9%. Etrasimod was well tolerated and met the predefined efficacy endpoints in a randomized, double-blind Phase 2b clinical trial conducted by our licensing partner, Arena Pharmaceuticals, Inc., or Arena Pharmaceuticals, in patients with moderate to severe UC. With oral administration and demonstrated clinical activity comparable to injectable biologics, which are the current standard of care, etrasimod is well positioned to become the therapy of choice for moderate to severe UC in China. We have completed a Phase 1 PK bridging trial in China and are conducting a

Phase 3 registrational trial in UC in Mainland China, South Korea and Taiwan. We in-licensed 15 patents and patent applications for this anchor product.

Our anchor asset in cardio-renal disease is Nefecon, a potentially first-in-disease drug candidate for the treatment of IgA nephropathy (IgAN), a common cause of glomerulonephritis and chronic kidney disease in China. About 50% of IgAN patients progress to end stage renal disease (ESRD) within 30 years despite treatment. According to the Frost & Sullivan Report, there were 2.18 million patients with IgAN in 2019 in China. Nefecon is an oral, targeted-release formulation of budesonide, a potent agonist of glucocorticoid receptors with an established safety and efficacy profile. Nefecon's novel formulation enables the local delivery of budesonide to the site of aberrant IgA antibody production in the small bowel, enhancing efficacy while reducing side effects associated with systemic use of budesonide. In a randomized, double-blind Phase 2b clinical trial conducted by our licensing partner, Calliditas Therapeutics AB, or Calliditas, Nefecon demonstrated statistically significant reduction in proteinuria levels and stabilization of eGFR. We obtained IND approval in IgAN for Nefecon in 2019 and have joined the global Phase 3 registrational trial in collaboration with Calliditas, and the first patient was randomized in China in September 2020. We in-licensed two patents and patent applications for this anchor product.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- Broad pipeline of late clinical stage candidates with first-in-class or best-in-class drug potential in four therapeutic areas with substantial and near-term market potential
- Exceptional clinical development talent
- Top tier business development team and trusted partner for global players across multiple therapeutic areas
- Strong therapeutic area expertise and operational excellence
- Demonstrated clinical development execution capabilities

OUR STRATEGIES

We aspire to become a leading biopharmaceutical company focused on the development and commercialization of globally innovative therapies, initially in Greater China and other Asia Pacific markets. Our key strategies include:

- Advance our existing drug candidates into and through registrational trials
- Continue to expand our innovative drug portfolio in areas of high unmet medical needs across multiple therapeutic areas
- Explore strategic partnerships and alliances
- Build strong sales and marketing capabilities selectively supplemented with strategic partnerships to maximize the commercial potential of our product candidates
- Continue to focus on hiring and retaining top talent in the industry
- Build GMP/GSP manufacturing facilities in China to support our drug development

CLINICAL DEVELOPMENT

We are dedicated to building a pipeline of potentially first-in-class or best-in-class therapies and believe successful clinical development execution is critical to our future growth and our ability to remain competitive in the global biopharmaceutical market.

Our clinical development programs typically follow one of two models: (1) joining global registrational trials, or (2) performing local/regional registrational trials. The appropriate model is selected for each individual product candidate and each approach has potential pros and cons. Joining global registrational trials requires having a highly experienced clinical development team, but can have significant advantages, including a lower patient enrollment in our territory (typically in the range of 15-20% of the entire trial population) and the ability to use the full trial data set for approval. This approach reduces our development cost and shortens the time required for enrollment, compared to the time and cost of a similarly powered regional study. Participation in a global study can also help to achieve simultaneous global regulatory submission which is highly encouraged by the NMPA. In some cases, we decide to run a regional study when we are able to leverage existing clinical data and utilize a bridging study for regional registration, or if a different indication or clinical design is optimal for our commercial market relative to our partner. We use our China-based clinical and regulatory teams' deep expertise to design the optimal development plan for each asset prior to entering into a partnership and thereafter work seamlessly with the partner to achieve the most efficient development in our territory, from both cost and timeline perspective. We believe that the global experience and local expertise of our China-based clinical development team are the key for us to achieve these efficiencies.

Operationally, our clinical development team manages all of the key aspects of our trials, including clinical trial design, implementation, the collection and analysis of trial data, and regulatory submission and communications. Our clinical development team is composed of functions including medical science, clinical operation, regulatory, and data management and statistics, and are headed by three Chief Medical Officers, each covering one of our core therapeutic areas. As of 30 June 2020, our clinical development team consisted of 62 members, approximately 16% of whom hold an M.D. degree or a Ph.D. degree. Most of the team has clinical development experience in multinational companies, where they have gained rich experience in designing and executing global trials as well as local and regional trials.

Clinical science

Our team designs the clinical development plan for each of our assets and trial protocol for each trial using an integrated approach incorporating scientific, clinical and cost/efficiency considerations. We aim to ensure that the project, program and portfolio-related decisions are logical, financially sound, robust and repeatable and that our investments in clinical development activities lead to a solid return on investment.

Clinical operations and regulatory

Our clinical operations team is responsible for the execution of our trials. To quickly build scale and enhance trial efficiency, we work closely with contract research organizations, or CROs, and consultants that help to manage, conduct and support our clinical trials in China and other jurisdictions. We select our CROs weighing various factors, such as their qualifications, academic and professional experience and industry reputation. The CROs provide us with an array of products and services necessary for executing complex clinical trials. Generally, we enter into a research and development contract with a CRO for each project. We supervise these third-party service providers to ensure that

they perform their duties in a manner that complies with our protocols and applicable laws and that protects the integrity of the data resulting from our trials and studies.

Our regulatory team manages the regulatory submission process for our drug candidates, which require filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. The regulatory team prepares and manages regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting GLP/GMP readiness assessments for our drug candidates. We possess extensive knowledge and experience with regard to regulatory filings in China. We also collaborate closely, as appropriate, with our global partners to optimize regulatory strategy and leverage their experience in other jurisdictions.

BUSINESS DEVELOPMENT AND ALLIANCE MANAGEMENT

We have established a highly experienced business development and alliance management organization with team members in New York, Boston, San Diego and Paris, which gives us global reach and local presence in key hubs of biopharmaceutical innovation. Since our founding in 2017, we have built a strong track record of collaboration with global large pharmaceutical companies, mid-cap biopharmaceutical companies and small-cap biotechnology companies across multiple continents. Most of our in-licensed products and product candidates are the lead assets of our global partners, which demonstrates the confidence our partners have to enter into long-term relationships with us to help them realize the full potential of these assets in Greater China and other parts of Asia. For example, Trodelvy is the first and only approved product of Immunomedics and also the first approved therapy directed at TROP-2 globally. Xerava is Tetraphase's first and only approved product among the more than 3,000 novel tetracycline compounds it has created using its proprietary technology platform. Etrasimod is the most advanced product candidate of Arena, and builds on the more than twenty-year scientific expertise of Arena in G-protein coupled receptor drug development and is under a broad clinical development plan for treating multiple immune-mediated inflammatory diseases. Nefecon is also the most advanced product candidate of Calliditas, which aims to treat the origin, rather than the symptoms, of IgAN, for which there is currently no approved treatments worldwide.

Our U.S. and Europe-based business development team works closely with clinical development and commercial teams in China to address all technical, clinical, regulatory, IP, commercial and reimbursement considerations. We have evaluated hundreds of assets and closed a total of eight in-licensing deals to date. Two products that we in-licensed, eravacycline and sacituzumab govitecan, have received U.S. FDA approvals, while multiple other product candidates have announced positive clinical trial data after we consummated the licensing transactions. We believe these regulatory and clinical development milestones achieved by our partners increase the value of these products in our territories, and demonstrate our ability to assess and effectively evaluate the inherent risks and benefits of licensing candidates during our business development process. We do not expect any material adverse impact of the increasing tension between China and the United States on our Company in the foreseeable future. Our business development activities remain active, and collaboration interest from global pharmaceutical and biotechnology continue to be strong. Our current clinical development activities include participation in global clinical trials where medical data we generate is incorporated into global databases. We have not encountered any difficulties with the transfer of medical data with any of our existing clinical trials.

SUMMARY OF MATERIAL LICENSING AGREEMENTS

Eravacycline (Xerava)

In February 2018, we entered into a license agreement with Tetraphase Pharmaceuticals, Inc., or Tetraphase, pursuant to which Tetraphase grants us an exclusive license to develop and commercialize eravacycline in Mainland China, Taiwan, Hong Kong, Macau, South Korea and Singapore for the treatment of cIAI and other indications for which Tetraphase submits a drug approval application for eravacycline outside the licensed territory and any other human indication agreed by the parties pursuant to the agreement. In July 2019, we and Tetraphase entered into an amendment to the license agreement to expand the geographic coverage of our exclusive license to develop and commercialize eravacycline in Malaysia, Thailand, Indonesia, Vietnam and the Philippines. Under this license agreement, we grant Tetraphase an exclusive, royalty-free, fully paid-up, perpetual license under certain of our patents and know-how that are necessary to research, develop, manufacture and commercialize eravacycline and related materials and products outside our licensed territory. We are solely responsible under this agreement for developing and commercializing licensed products in the territories where we are licensed. Tetraphase has agreed to manufacture and supply us with products for clinical and commercial supply, which we will purchase at cost for clinical supply and cost plus a 10% margin for commercial supply.

Etrasimod

In December 2017, we entered into a collaboration and license agreement with Arena Pharmaceuticals, Inc., or Arena, regarding the development and commercialization of its proprietary products ralinepag and etrasimod in the territories of Mainland China, Taiwan, Hong Kong, Macau and South Korea. In January 2019, we and Arena entered into two separate agreements which superseded the 2017 agreement, one of which relates to ralinepag and the other of which relates to etrasimod (the agreement related to ralinepag is summarized in the section entitled Ralinepag). Under the 2019 agreement related to etrasimod, Arena granted us an exclusive, royalty-bearing license, which is only sublicensable to third parties with Arena's consent and our affiliates without Arena's consent, to develop, manufacture and commercialize oral formulations of etrasimod in Mainland China, Taiwan, Hong Kong, Macau and South Korea. Arena also granted us a right of first refusal under this agreement to obtain a license to develop and commercialize non-oral formulations of etrasimod for use in any indication other than ulcerative colitis, multiple sclerosis, Crohn's disease, psoriasis or primary biliary cholangitis in the licensed territory. Our right of first refusal expires upon the later of 4 December 2018 or 45 days after the first publication of topline results of a phase 2 clinical trial of any non-oral formulation of etrasimod for any of the indications related to the right of first refusal. In addition, under this agreement, we have the right to participate in the portion of Arena's global clinical trials conducted in our licensed territories. Under this agreement, we also granted Arena an exclusive, royalty-free, fully paid license under certain of our patents and know-how that are necessary to develop, commercialize, make, use, import, promote, sell and offer for sale etrasimod and products containing etrasimod outside our licensed territory.

Sacituzumab Govitecan (Trodelvy)

In April 2019, we entered into a license agreement with Immunomedics, Inc., or Immunomedics, under which Immunomedics granted us an exclusive license to develop and commercialize (but not manufacture) its proprietary ADC sacituzumab govitecan to treat mTNBC, other oncological indications or any other indication approved (as set forth in the label) by regulatory authorities in Mainland China, Taiwan, Hong Kong, Macau, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore or Mongolia in the aforementioned territories. We are required to use

commercially reasonable efforts to develop and commercialize these licensed products for the licensed indications within the territories that we are licensed. Under this agreement, we also grant Immunomedics an exclusive, royalty-free, fully paid-up license under patents and know-how controlled by us that are reasonably necessary or useful to research, develop, use or sell sacituzumab govitecan outside of our licensed territories.

Nefecon

On 10 June 2019, we entered into a license agreement with Calliditas Therapeutics AB, or Calliditas, which grants us exclusive rights to develop and commercialize its proprietary formulation of budesonide, Nefecon, in Mainland China, Hong Kong, Macau, Taiwan and Singapore, initially for the treatment of IgA nephropathy (IgAN). Under this agreement, Calliditas grants us an exclusive, royalty-bearing license to develop and sell Nefecon for the treatment of IgAN in Mainland China, Hong Kong, Macau, Taiwan and Singapore. Calliditas has the right to manufacture the drug product for use outside the licensed territories, and we have the right to manufacture the drug product within the licensed territories either ourselves or by appointing a designated manufacturer. Upon request and notice from us, Calliditas will make a good faith effort to effect a technology transfer of the commercial scale manufacturing process of the drug product to us or our designated manufacturer. We grant Calliditas an exclusive, royalty-free, perpetual, irrevocable license under our share of the intellectual property created by us that is directed to the method of making or using Nefecon, which we jointly own with Calliditas, to use such intellectual property for any purpose outside the territories. We are responsible for conducting all clinical trials for Nefecon in the licensed territories generally. If Calliditas pursues other indications for Nefecon, we have an exclusive option to extend the license to include such additional indications by paying a pre-defined milestone per indication for the first additional two indications. We are responsible for all development expenses in our territory and following potential registration approvals, we will be responsible for the commercialization of Nefecon in the relevant territories.

See “Business—Overview of Our License Agreements” for more details of all of our licensing agreements.

MANUFACTURING

Currently, we utilize our partners’ global supply chain to provide supply for most of our clinical trials, and we plan to use this supply chain for our initial commercial launch. FGF401 is currently being manufactured and supplied to us by a China-based contract manufacturing organization as Novartis conducted technology transfer of current scale manufacturing processes to EverNov including the participation of this contract manufacturing organization pursuant to the licensing agreement. Other than FGF401, each of our pipeline product is currently supplied to us by the respective licensor. Our partners have invested significant amount of resources to assure their global supply chain to be of global quality and commercial scale. Such global supply chain will enable us to bring some of the most complicated pharmaceutical products in the world, such as an ADC, to China and the Asia Pacific market.

In the mid-term, we believe it is advantageous and beneficial that we have our own GMP commercial manufacturing facility in order to ensure stable and sufficient long term drug supply and to decrease the cost of goods, both aspects are very important for the Chinese market. We entered into a strategic partnership with Jiashan Economic and Technological Development Zone Management Committee (嘉善經濟技術開發區管理委員會) in March 2020, pursuant to which we plan to place our global manufacturing site in Jiashan Economic and Technological Development Zone. Jiashan is an

innovation-driven industrial ecosystem where we can leverage efficient local manufacturing and research and development capabilities. Our facility is expected to be designed to comply with the U.S. FDA, the EMA and NMPA standards to meet demands in both China and the global market.

Each of our licensing agreements provides a process for ensuring sufficient commercial scale supplies in our territories, including an obligation by each licensor, under each license agreement, to provide commercial scale supply once each product is approved in the territories covered by each license agreement. We may choose to localize some or all steps in manufacturing for some of our pipeline products if we believe that such efforts could help reduce costs and enhance stability of supply. In particular, we are evaluating different options for the commercial scale manufacturing of eravacycline and sacituzumab govitecan, which include entering into commercial supply agreements with the respective licensors and/or their contract manufacturing organizations, working together to optimize manufacturing process, and localizing some or all manufacturing steps. After the completion of our own GMP commercial manufacturing facility in Jiashan, we will have an additional option to manufacture these drug products by ourselves at our own facility.

The license agreements for each of our pipeline products contain provisions concerning the transfer of manufacturing know-how to us. In some cases, the licensor is required to use only commercially reasonable efforts to transfer such know-how within a certain time period. Further, certain agreements require consent of licensor for the transfer of manufacturing know-how to a third party, certain agreements require that we provide at least twelve months' notice of manufacturing commencement and one agreement requires that the third party manufacturer agree to supply licensor's requirements for relevant products under a direct agreement with licensor.

COMMERCIALIZATION

While we do not currently have any commercialization activities, we plan to build our commercial capabilities through a combination of an in-house sales force and strategic partnerships with leading industry players to enhance and broaden our coverage. To achieve optimal balance between sales force specialization and productivity across multiple therapeutic areas, our commercial model will combine dedicated science-driven marketing efforts with a concentration on top-tier hospitals. We will explore commercial partnerships for select assets in China to maximize the commercial value of our diverse portfolio, in particular those products which would benefit from broad geographic distribution. In international markets, we expect to leverage the resources and expertise of local and global partners. Importantly, we plan to establish a leading multi-functional market access team to engage key stakeholders and accelerate patient access to our products in China and other markets. To support our anticipated commercial launch of multiple products, we have commenced building a commercial leadership team with deep knowledge of sales, marketing and market access strategies across a broad range of disease areas. The team currently consists of senior executives specializing in international sales, marketing, market access, medical affairs and new product planning, and we will continue to enlarge our team with members possessing relevant skills and experience. Our commercial leadership team will focus on our most proximate assets, namely eravacycline and sacituzumab govitecan, both of which are specialty medicines. We aim to establish our in-house sales force within the next 18 months.

PRE-IPO INVESTORS

We have entered into multiple rounds of financing and entered into agreements with our Pre-IPO Investors. Our broad and diverse base of Pre-IPO Investors consists of venture capital and private equity funds and investment holding companies, some with specific focus on the healthcare sector. For further details, see "History, Development and Corporate Structure—Pre-IPO Investments".

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued under the Share Schemes, and having considered CBC Group's subscription for the Offer Shares as a cornerstone investor as more particularly set out in "Cornerstone Investors" and assuming the Offer Price of HK$52.50 per Share, being the mid-point of the indicative Offer Price range of HK$50.00 to HK$55.00), CBC Group will be entitled to exercise voting rights of approximately 49.98% of our issued shares. Therefore CBC Group will constitute controlling shareholders of our Company. CBC Group was also our founding shareholder. Our controlling shareholders do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I. The summary financial data set forth below should be read together with our Consolidated Financial Statements and the related notes, as well as the section headed "Financial Information." Our financial information was prepared in accordance with IFRS.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth our consolidated statements of profit or loss with line items in amounts and as percentages of our revenue for the periods indicated:

	Years Ended 31 December		Three Months Ended 31 March	
	2018	2019	2019	2020
	(RMB in thousands)		(unaudited)	
General and administrative expenses	(72,096)	(53,851)	(8,112)	(68,148)
Research and development expenses	(55,911)	(150,888)	(22,808)	(80,184)
Distribution and selling expenses	—	—	—	(2,800)
Other income	1,009	29,253	1,055	226
Other losses	(184)	(626)	(433)	(73)
Operating loss	**(127,182)**	**(176,112)**	**(30,298)**	**(150,979)**
Finance costs—net	(1,325)	(1,947)	(403)	(573)
Fair value change in financial instruments issued to investors	(863,167)	(36,453)	129,824	455,511
(Loss)/Profit before income tax	**(991,674)**	**(214,512)**	**99,123**	**303,959**
Income tax expense	—	—	—	—
(Loss)/Profit for the year/period attributable to the equity holders of the Company	**(991,674)**	**(214,512)**	**99,123**	**303,959**
Total comprehensive (loss)/income for the year/period attributable to the equity holders of the Company	**(1,023,333)**	**(229,826)**	**117,047**	**277,311**

We did not generate any revenue during the Track Record Period and do not expect to generate any revenue from product sales unless and until we obtain regulatory approval of and commercialize one of our current or future drug candidates. We have incurred net operating losses in each year during the Track Record Period. For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, our net operating loss was RMB127.2 million, RMB176.1 million, RMB30.3 million and RMB151.0 million, respectively. Substantially all of our operating losses and our accumulated deficit during the Track Record Period resulted from research and development expenses and general and administrative expenses. Other income primarily consists of (i) gains from

the termination of our collaboration agreement with I-Mab and (ii) net income from consultancy services in the field of business development, clinical development, related platform support and general and administrative supports that we provided mainly to Everest II, prior to our Merger with Everest II, and to other parties including related parties. We recorded a loss from fair value change of financial instruments issued to investors of RMB863.2 million for the year ended 31 December 2018 and RMB36.5 million for the year ended 31 December 2019, and a gain of RMB129.8 million and RMB455.5 million for the three months ended 31 March 2019 and 2020, respectively, among which we recorded a loss from fair value changes of preferred shares of RMB779.8 million and RMB48.4 million for the year ended 31 December 2018 and 2019, and a gain of RMB115.4 million and RMB400.7 million for the three months ended 31 March 2019 and 2020, respectively. Financial instruments issued to investors primarily consist of redeemable and convertible preferred shares, warrant liabilities and convertible notes. The gain from fair value change in the three months ended 31 March 2020 was primarily due to a decrease in the per share fair value of our outstanding Preferred Shares during the first quarter of 2020, due to impact of the ongoing global COVID-19 pandemic. The gain from fair value change in the three months ended 31 March 2019 was primarily due to a moderate decrease in the per share fair value of our outstanding Preferred Shares during the first quarter of 2019 to reflect the slight increase of market risk premium. The loss from fair value change in 2018 was primarily due to significant increase in the per share fair value of our Series A Preferred Shares during the year, due to completion of our Series B financing at significantly higher valuation. The loss from fair value change in 2019 was primarily due to increase in the per share fair value of the our Series B-3 Preferred Shares during the year, after the completion of our Merger of Everest II.

We anticipate that we will continue to sustain operating losses for the foreseeable future, and we expect the operating losses to increase as we continue the development of, and seek regulatory approvals for, our drug candidates and begin to commercialize any approved products. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate quarterly and yearly due to the development status of our drug candidates, our efforts to obtain regulatory approval and commercialize our drug candidates.

Selected Financial Information from Our Consolidated Statements of Financial Position

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

	As of 31 December		As of 31 March
	2018	2019	2020
	(RMB in thousands)		
Total non-current assets	513,357	2,005,787	2,075,379
Total current assets	209,815	131,153	84,411
Total assets	**723,172**	**2,136,940**	**2,159,790**
Total non-current liabilities	1,510,816	2,494,149	2,126,314
Total current liabilities	159,925	503,873	583,348
Total liabilities	**1,670,741**	**2,998,022**	**2,709,662**
Net liabilities	**947,569**	**861,082**	**549,872**
Net current assets/(liabilities)	**49,890**	**(372,720)**	**(498,937)**

We have a significant amount of intangible assets. During the Track Record Period, we had net liabilities primarily due to financial instruments issued to investors. Fair value change of our Preferred

Shares will affect our performance subsequent to the Track Record Period and our Preferred Shares will be converted to share capital/capital reserve upon conversion into ordinary shares, which will take place at the time when the Listing takes place, and afterwards we will revert back to net assets position.

We had net current liabilities of RMB498.9 million as of 31 March 2020, consisting of current assets of RMB84.4 million and current liabilities of RMB583.3 million, primarily due to financial instruments issued to investors of RMB452.0 million and trade and other payables of RMB96.1 million.

We had net current liabilities of RMB372.7 million as of 31 December 2019, consisting of current assets of RMB131.2 million and current liabilities of RMB503.9 million, primarily due to financial instruments issued to investors of RMB395.3 million and trade and other payables of RMB80.8 million.

We plan to improve our net current liabilities position and cash flow position through: (i) rapidly advancing our late-stage drug assets towards commercialization to generate revenue from product sales; (ii) adopting comprehensive measures to effectively control cost and operating expenses, primarily including administrative expenses; (iii) enhancing working capital management efficiency; (iv) successfully launching the Global Offering to obtain the proceeds; and (v) seeking additional funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources.

As of 31 March 2020, we had cash and cash equivalents of RMB73.5 million. We have utilized and plan to continue to utilize our cash and cash equivalents for (i) clinical development, including our ongoing and planned clinical trials for our drug candidates; (ii) milestone payments pursuant to our in-licensing agreements; (iii) potential commercialization of our approved drug candidates; and (iv) working capital and other general corporate purpose.

In March 2020, we and Jiashan Shanhe entered into an investment agreement, pursuant to which Jiashan Shanhe invested US$100 million, including US$50 million Series C-1 investment and US$50 million cash investment towards the registered capital of our subsidiary, Everest China, subject to a redemption right starting in the fourth year of the date of investment at a 8% simple annual rate of return. We treat Jiashan Shanhe's contribution to the registered capital of Everest China as borrowings. For a detailed description of the investment from Jiashan Shanhe, see "History, Development and Corporate Structure—Reorganization" and note 32 to the Accountant's Report in Appendix I to this document.

The Directors are of the opinion that, taking into account the financial resources available to us, including cash and cash equivalents, investments and the estimated net proceeds from the Listing, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses and general and administrative and operating costs, for at least the next 12 months from the expected date of this document. With the low-end of the proceeds from the Listing, our Directors believe that we can maintain sufficient working capital for approximately the next four years, taking into account our past and prospective cash burn rate, including but not limited to future clinical development and administrative expenses, lease payment, capital expenditure and current financial position. Furthermore, we retain substantial ability to control the speed and breadth of our clinical development and business development activities and our expansion in headcount, and therefore, our Directors believe that we can further stretch our internal resources and net proceeds designated for general working capital based on the low-end of the Offer Price, and remain financially viable for at least five years. Without taking into account the proceeds from the Listing, our Directors believe that

we have sufficient working capital for approximately 14 months. We plan to improve our working capital sufficiency by: (i) rapidly advancing our late-stage drug assets towards commercialization to generate revenue from product sales; (ii) adopting comprehensive measures to effectively control cost and operating expenses, primarily including administrative expenses; and (iii) enhancing working capital management efficiency.

SUMMARY DATA FROM CONSOLIDATED CASH FLOW STATEMENTS

The following table provides information regarding our cash flows for the periods indicated:

	Year Ended 31 December		Three Months Ended 31 March	
	2018	2019	2019	2020
	(RMB in thousands)		(unaudited)	
Net cash outflow used in operating activities before movements in working capital[(1)]	(104,098)	(173,518)	(22,152)	(113,775)
Changes in working capital[(1)]	(2,869)	84,861	(24,713)	29,742
Net cash used in operating activities	(106,967)	(88,657)	(46,865)	(84,033)
Net cash used in investing activities	(406,325)	(47,365)	(30,002)	(51,472)
Net cash generated from/(used in) financing activities	461,370	61,996	(994)	102,945
Effect of exchange rate changes on cash and cash equivalents	9,305	(3,416)	(3,794)	(36)
Net decrease in cash and cash equivalents	(42,617)	(77,442)	(81,655)	(32,596)
Cash and cash equivalents, beginning of year/period	226,120	183,503	183,503	106,061
Cash and cash equivalents, end of year/period	183,503	106,061	101,848	73,465

Note:

(1) The financial data of this item is closely derived from, but not directly extracted from, our consolidated financial statements as set out in the Accountant's Report included in Appendix I to this document.

Net cash used in our operating activities for the three months ended 31 March 2020 was RMB84.0 million. Our net profit was RMB304.0 million for the same period. The difference between our profit before income tax and our net cash used in operating activities was primarily attributable to the fair value gain of financial instruments in the amount of RMB455.5 million.

Net cash used in our operating activities for the year ended 31 December 2019 was RMB88.7 million. Our net loss was RMB214.5 million for the same year. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) the fair value loss of financial instruments in the amount of RMB36.5 million and (ii) changes in the working capital. Changes in the working capital mainly include decrease in trade and other receivables of RMB26.5 million and increase in trade and other payables of RMB51.2 million.

Net cash used in operating activities for the year ended 31 December 2018 was RMB107.0 million. Our net loss was RMB991.7 million for the same year. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to the fair value loss of financial instruments in the amount of RMB863.2 million.

Our operating cashflows will continue to be affected by our research and development expenses.

KEY FINANCIAL RATIO

The following table sets forth our key financial ratio for the periods indicated:

	As of 31 December		As of 31 March
	2018	2019	2020
Current Ratio[1]	131%	26%	14%

Note:

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

OUR ACQUISITION OF EVEREST II

On 16 August 2019, we and a subsidiary of ours entered into an agreement and plan of merger with Everest II and its shareholders. Pursuant to the agreement, our subsidiary was merged into Everest II and ceased to exist on 25 November 2019, and we acquired all of the outstanding shares of Everest II. Everest II's results of operations have been consolidated into ours since 25 November 2019. Our statement of profit and loss for the year ended 31 December 2019 consolidates the results of Everest II since then, and our statement of profit and loss for the three months ended 31 March 2020 consolidates the full financial results of Everest II. For details regarding the acquisition, see "History, Development and Corporate Structure" and note 30 to the Accountant's Report in Appendix I to this document.

The summary historical data of financial information of Everest II set forth below have been derived from, and should be read in conjunction with, the consolidated financial statements, including the accompanying notes, set forth in Appendix I to this document, as well as the information set forth in "Financial Information" of this document. Financial information of Everest II was prepared in accordance with IFRS.

Consolidated Statements of Profit or Loss of Everest II

The table below sets forth the consolidated statements of profit or loss of Everest II for the periods indicated derived from the consolidated statements of profit or loss of Everest II set out in the Accountant's Report included in Appendix I to this document:

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of Merger)
	(in RMB thousands)	
General and administrative expenses	(15,417)	(107,756)
Research and development expenses	(6,679)	(23,890)
Foreign exchange gain—net	—	514
Operating loss	**(22,096)**	**(131,132)**
Fair value change in financial instruments issued to investors	**—**	(170,190)
Loss before income tax	**(22,096)**	**(301,322)**
Income tax expense	—	—
Loss for the year/period	**(22,096)**	**(301,322)**

Cash Flows of Everest II

The following table sets forth Everest II's cash flows for the periods indicated:

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of Merger)
	(in RMB thousands)	
Net cash outflow used in operating activities before movements in working capital[(1)]	(22,096)	(131,132)
Changes in working capital[(1)]	21,894	(37,743)
Net cash used in operating activities	(202)	(168,875)
Net cash used in investing activities	(69,156)	(655,498)
Net cash generated from financing activities	103,734	884,757
Net increase in cash and cash equivalents	34,281	64,161
Cash and cash equivalents at the beginning of the period	—	34,281
Cash and cash equivalents at the end of period	34,281	98,442

Note:

(1) The financial data of this item is closely derived from, but not directly extracted from, our consolidated financial statements as set out in the Accountant's Report included in Appendix I to this document.

RECENT DEVELOPMENTS

In June 2020, we completed our Series C-2 financing round, raising approximately US$260 million. The Series C-2 was led by Janchor Partners Limited and co-led by RA Capital Management L.P. and Hillhouse Capital along with other venture capital and private equity funds and investment holding companies.

On 6 July 2020, our partner Immunomedics announced positive data from the ASCENT Study, a Phase 3, randomized, confirmatory trial in mTNBC patients who have received at least two prior therapies for metastatic disease. Sacituzumab govitecan demonstrated statistically significant improvement in the primary endpoint of PFS compared to chemotherapy, with a hazard ratio of 0.41 (95% confidence interval (CI), 0.32-0.52). The median PFS for patients treated with sacituzumab govitecan was 5.6 months (95% CI, 4.3-6.3), compared to 1.7 months (95% CI, 1.5-2.6) for chemotherapy ($p<0.0001$). Sacituzumab govitecan also met key secondary endpoints of the study, including overall survival and objective response rate. In April 2020, Immunomedics had announced that the ASCENT study had been halted due to compelling evidence of efficacy across multiple endpoints, based on the unanimous recommendation by the independent Data Safety Monitoring Committee during its recent routine review of the ASCENT study.

There has been an outbreak of COVID-19 that was first reported in December 2019 and has rapidly spread across China and around the world. As of the Latest Practicable Date, none of our trial subjects or recruited patients has been tested positive for COVID-19 and the outbreak of COVID-19 has not caused any early termination of our clinical trials or necessitated removal of any enrolled patients. During the outbreak of COVID-19, we worked closely with our CROs to monitor the situation and manage our clinical trials. We maintained contact with our patients to ensure that they remain on the trials and that any information they need will be readily available. We have not experienced any material delay to the timetable of our ongoing clinical trials and currently do not expect any material delay due to the outbreak of COVID-19. Potential delays of relevant ongoing trials by our licensors could lead to delays in our trials but impact could be different depending on how we are conducting clinical development in our territories. For clinical trials where we are running a bridging study or our

own regional clinical trial, impact could be minimal. If we participate in global trials, then any delays will also impact our clinical development. Please see our product pipeline for details of our clinical development plan.

As of the Latest Practicable Date, the COVID-19 outbreak has not exerted any material impact on our employees and we have not had any suspected or confirmed COVID-19 cases on our premises or among our employees. To prevent any spread of COVID-19 in our offices and production facilities, we have adopted a thorough disease prevention scheme to protect our workers from contracting COVID-19. The measures we have implemented include, among others, regularly sterilizing and ventilating our offices, checking the body temperature of our employees, keeping track of the travel history and health conditions of employees and their immediate family members, providing face masks to employees attending the office, minimizing in-person meetings to the extent possible and requesting employees to wear masks at all times during working hours. As of the Latest Practicable Date, our Company had resumed normal and full operations and the outbreak of COVID-19 had not resulted in a material disruption to our operations.

Our Directors believe that, based on information available as of the Latest Practicable Date, the outbreak of COVID-19 would not result in a material disruption to our business operations because (i) none of our offices are located in regions under lockdown; (ii) our supply chain has not experienced any disruption since the outbreak of COVID-19; (iii) most of our employees do not reside in regions under lockdown; (iv) our research and development team had already resumed working; and (v) our operations in the United States have generally not been materially affected by the outbreak of COVID-19.

As of the Latest Practicable Date, the outbreak of COVID-19 had not had a material impact on our financial performance, other than the gain from fair value change of financial instruments issued to investors of RMB400.7 million in the three months ended 31 March 2020, which was primarily due to a decrease in the per share fair value of our outstanding preferred shares during the first quarter of 2020 due to impact of the ongoing global COVID-19 pandemic.

It is uncertain when and whether COVID-19 could be contained. The above analyses are made by our management based on currently available information concerning COVID-19. We cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our business operations. Please refer to the paragraphs headed "Risk Factors – Risks Related to Clinical Development of Our Drug Candidates – Our business, financial condition and results of operations may be adversely affected by the recent COVID-19 outbreak." for more information of the relevant risks.

We expect to record an increase in net loss for the year ending 31 December 2020 because we will continue to incur significant expenses as we continue the clinical development of, and seek regulatory approval for, our drug candidates, further our business development efforts, and build out of our commercial capabilities in Greater China and our international territories, including preparing for the near term commercialization of eravacycline in Singapore.

We expect that our net loss for the year ending 31 December 2020 will increase significantly comparing to the year ended 31 December 2019 due to the expected loss on fair value changes in financial instruments issued to investors which mainly include our convertible redeemable preferred shares in relation to the Pre-IPO Investments. Although our convertible redeemable preferred shares will be automatically converted to Shares upon the closing of the Global Offering, to the extent we need to revalue the preferred shares prior to the closing of the Global Offering, any change in fair value

of these convertible redeemable preferred shares could materially affect our financial positions and results of operations. The fair value of the balance of preferred shares increased from RMB2,463.9 million as of 31 December 2019 to RMB5,009.9 million as of 31 July 2020 due to our issuance of Series C preferred shares in May and June 2020 and the revaluation of Pre-IPO Investments according to the latest financing round. Assuming we revalue the convertible redeemed preferred shares immediately prior to the conversion to Shares upon the closing of the Global Offering, based on Offer Price of HK$52.50 per Offer Shares (being the mid-point of our Offer Price range of HK$50.00 to HK$55.00 per Offer Shares), the unaudited fair value of the balance of preferred shares is approximately RMB8,969.6 million. We expect this will have a negative impact on our consolidated statements of comprehensive loss because the increase in the balance of fair value instruments will result in loss associated with fair value change in preferred shares. See "Risk Factors—Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our convertible redeemable preferred shares and warrants at fair value through profit or loss" of this document for further details.

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since 31 March 2020, being the date of our consolidated financial statements as set out in the Accountant's Report included in Appendix I, and up to the date of this document.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises: the Hong Kong Public Offering of 6,355,000 Offer Shares (subject to reallocation) in Hong Kong as described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering" in this document; and the International Offering of an aggregate of initially 57,192,000 Shares (subject to reallocation and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent 22.4% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes.

OFFERING STATISTICS

Market capitalization of our Shares in the following table is based on the assumptions that (i) the Global Offering has been completed and 63,547,000 new Shares are issued pursuant to the Global Offering; and (ii) 283,690,389 Shares are issued and outstanding following the completion of the Global Offering. For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, see "Unaudited Pro Forma Financial Information" in Appendix II.

	Based on an Offer Price of HK$50.00	Based on an Offer Price of HK$55.00
Market capitalization of our Shares[1]	HK$14,185 million	HK$15,603 million
Unaudited pro forma adjusted net tangible asset per Share[2]	HK$13.89 (RMB12.16)	HK$15.44 (RMB13.51)

Notes:

(1) The calculation of market capitalization is based on 283,690,389 shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible asset per Share as at 31 March 2020 is calculated after making the adjustments referred to in Appendix II.

DIVIDENDS

In April 2018, we distributed our entire equity interests in NiKang Therapeutics., Inc., or Nikang, a company incubated by us who mainly engages in small molecule oncology drug discovery in the U.S., to our shareholder C-Bridge Investment Everest Limited as dividend in specie. See "Financial Information—Dividends."

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our shares with the expectation of receiving cash dividends.

LISTING EXPENSES

The total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK$203.9 million, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes and based on an Offer Price of HK$52.50 per Offer Share (being the mid-point of our Offer Price range of HK$50.00 to HK$55.00 per Offer Share), of which approximately HK$43.2 million is expected to be charged to our consolidated statement of comprehensive income and approximately HK$160.7 million is expected to be charged against equity upon the Listing. These listing expenses mainly comprise professional fees paid and payable to professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering. The estimated amount of listing expenses will account for approximately 6% of the gross proceeds of the Global Offering (assuming the Over-allotment Option is not exercised).

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$3,132.4 million after deducting underwriting commissions and other estimated expenses paid and payable by us in the Global Offering taking into account any additional discretionary incentive fee, assuming an Offer Price of HK$52.50 per Share, being the mid-point of the indicative Offer Price range of HK$50.00 to HK$55.00 per Share. We intend to use the net proceeds we will receive from this offering for the following purposes:

- 60%, or approximately HK$1,879.4 million, to fund ongoing and planned clinical trials, preparation for registration filings and other steps or activities related to commercialization of our four anchor products as follows:
  - (i) 15%, or approximately HK$469.9 million, for eravacycline, one of our Core Drug Candidates;
  - (ii) 15%, or approximately HK$469.9 million, for etrasimod, one of our Core Drug Candidates;
  - (iii) 20%, or approximately HK$626.5 million, for sacituzumab govitecan;
  - (iv) 10%, or approximately HK$313.2 million, for Nefecon.

- 15%, or approximately HK$469.9 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercialization of other drug candidates in our pipeline.
- 15%, or approximately HK$469.9 million, to fund our business development activities and the expansion of our drug pipeline.
- 10%, or approximately HK$313.2 million, for working capital and general and administrative purposes.

See "Future Plans and Use of Proceeds" for details.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See the section headed "Risk Factors" for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. In any such case, the market price of our Shares could decline, and you may lose all or part of your investments. Some of the major risks we face include:

- We have incurred net operating losses in each period since our inception and anticipate that we will continue to incur net operating losses for the foreseeable future.
- We have recorded net cash outflow from operating activities since our inception. We will need to obtain additional financing to fund our drug development programs and commercialization efforts, which may not be available on acceptable terms, or at all. If we are unable to raise capital on acceptable terms when needed, we could be forced to delay, reduce or terminate such efforts.
- Intangible assets represent a significant portion of the assets on our consolidated balance sheet. If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.
- We may be unable to attract and retain senior management and retain qualified employees.
- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.
- We depend substantially on the success of our drug candidates, the majority of which are still in clinical development. If we are unable to complete clinical development, obtain regulatory approval and commercialize our drug candidates, or if we experience significant delays in doing so, our business will be materially harmed.
- Our rights to develop and commercialize our drug candidates are subject to the terms and conditions of licenses and sublicenses granted to us by third parties.
- If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute the value of your investment in our Shares, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- All material aspects of the research, development and commercialization of pharmaceutical products are highly regulated.
- Our success depends upon our and our business partners' ability to obtain and maintain intellectual property protection for our products and technologies. It is difficult and costly to protect our proprietary rights and technology, and we and our business partners may not be able to ensure their protection.

- Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our convertible redeemable preferred shares and warrants at fair value through profit or loss.
- The PRC's economic, political and social conditions, as well as governmental policies, could affect the business environment and financial markets in China, our ability to operate our business, our liquidity and our access to capital.

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of technical terms".

"Accountant's Report"	the audited consolidated financial statements of our Company for the Track Record Period, as included in the Accountant's Report in Appendix I
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted by a special resolution passed on 21 September 2020 with effect from the Listing Date, a summary of which is set out in "Summary of the constitution of the Company and Cayman Islands company law" in Appendix III
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CBC Group"	the group comprising C-Bridge Investment Everest Limited, C-Bridge Healthcare Fund II, L.P., C-Bridge Healthcare Fund GP II, L.P., C-Bridge Capital GP, Ltd., TF Capital, Ltd., TF Capital II, Ltd., C-Bridge IV Investment Two Limited, C-Bridge Healthcare Fund IV, L.P., C-Bridge Healthcare Fund GP IV, L.P., C-Bridge Capital GP IV, Ltd., TF Capital IV, Ltd., Everest Management Holding Co., Ltd., C-Bridge Value Creation Limited, C-Bridge IV Investment Nine Limited, C-Bridge II Investment Eight Limited, Nova Aqua Limited, Kang Hua Investment Company Limited, Mr. Wei Fu and Ms. Dan Yang
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude the special administrative regions of Hong Kong and Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Everest Medicines Limited (云顶新耀有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 14 July 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to each of the individuals and entities within CBC Group
"Director(s)"	the director(s) of our Company
"EMA"	European Medicines Agency
"Everest II"	Everest Medicines II Limited, an exempted company with limited liability incorporated in the Cayman Islands on 24 August 2018
"Everest China"	Everest Medicines (China) Co., Ltd. (雲頂新耀醫藥科技有限公司), a company established in the PRC with limited liability on 3 April 2020 and a subsidiary of our Company
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
"Green Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 6,355,000 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this document, as further described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering"

"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting—Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated 23 September 2020, relating to the Hong Kong Public Offering, entered into among, inter alia, our Company, Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, C-Bridge IV Investment Nine Limited, the Joint Sponsors and the Joint Global Coordinators, as further described in the section headed "Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement"
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"I-Mab"	I-Mab, a company established in the Cayman Islands, an investee of our Controlling Shareholders, and the shares of which are listed on the Nasdaq Global Market (NASDAQ: IMAB)
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
"International Offer Shares"	the 57,192,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering")
"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirements under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering"

"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement, expected to be entered into on or about 30 September 2020, relating to the International Offering, expected to be entered into by our Company, Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, C-Bridge IV Investment Nine Limited and the Joint Representatives (for themselves and on behalf of the International Underwriters), as further described in "Underwriting—International Offering"
"Jiashan Shanhe"	Jiashan Shanhe Equity Investment Co., Ltd. (嘉善縣善合股權投資有限公司), a company established in the PRC with limited liability on 10 March 2020 and a Pre-IPO Investor
"Joint Bookrunners", "Joint Global Coordinators", "Joint Lead Managers"	the joint bookrunners, the joint global coordinators, and the joint lead managers as named in "Directors and parties involved in the Global Offering"
"Joint Representatives"	Goldman Sachs (Asia) L.L.C., Merrill Lynch (Asia Pacific) Limited, Citigroup Global Markets Asia Limited and Credit Suisse (Hong Kong) Limited
"Joint Sponsors"	the Joint Sponsors of the Listing as named in "Directors and parties involved in the Global Offering"
"Latest Practicable Date"	16 September 2020, being the latest practicable date for ascertaining certain information in this document before its publication
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 9 October 2020, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted by a special resolution passed on 21 September 2020, with effect from the Listing Date
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NCCR"	National Central Cancer Registry of China (全國腫瘤登記中心)
"NMPA"	National Medical Products Administration (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), or the CFDA, the State Food and Drug Administration (國家食品藥品監督管理局), or the SFDA and the State Drug Administration (國家藥品監督管理局), or SDA
"Non-compete Undertaking"	the non-compete undertaking provided by the Controlling Shareholders to the Company on 21 September 2020
"NRDL"	National Reimbursement Drug List of China (國家基本醫療保險、工傷保險和生育保險藥品目錄)
"NPC"	National People's Congress (全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering—Pricing and allocation"
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) for up to 30 days from the day following the last day for the lodging of applications under

	the Hong Kong Public Offering, to require our Company to allot and issue up to 9,532,000 additional Shares (representing in aggregate 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering—The International Offering—Over-allotment Option"
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on 21 September 2020, the principal terms of which are set out in "Statutory and General Information—D. Share Schemes—4. Post-IPO Share Award Scheme" in Appendix IV
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on 21 September 2020, the principal terms of which are set out in "Statutory and General Information—D. Share Schemes—5. Post-IPO Share Option Scheme" in Appendix IV
"Post-IPO Share Schemes"	the Post-IPO Share Award Scheme and the Post-IPO Share Option Scheme
"Preferred Share(s)"	the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B-1 Preferred Shares, the Series B-2 Preferred Shares, the Series C-1 Preferred Shares and the Series C-2 Preferred Shares
"Pre-IPO ESOP"	the employee equity plan approved and adopted by our Company on 25 December 2018 as amended and restated on 17 February 2020, the principal terms of which are set out in "Statutory and General Information—D. Share schemes—2. Pre-IPO Employee Share Option Plan" in Appendix IV
"Pre-IPO Investment(s)"	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in "History, development, and corporate structure"
"Pre-IPO Investor(s)"	the Series A-1 Preferred Shareholders, Series A-2 Preferred Shareholders, Series B-1 Preferred Shareholders, Series B-2 Preferred Shareholders, Series C-1 Preferred Shareholders and Series C-2 Preferred Shareholders
"Pre-IPO MSOP"	the employee stock option plan approved and adopted by our Company on 23 November 2017, the principal terms of which are set out in "Statutory and General Information—D. Share schemes—1. Pre-IPO Management Share Option Plan" in Appendix IV

"Pre-IPO Share Schemes"	the Pre-IPO ESOP and Pre-IPO MSOP
"PRC Legal Adviser"	Zhong Lun Law Firm, our legal adviser on PRC law
"Price Determination Date"	the date, expected to be on or about 30 September 2020 and in any event no later than 8 October 2020, on which the Offer Price is to be fixed for the purposes of the Global Offering
"Principal Share Registrar and Transfer Office"	Maples Fund Services (Cayman) Limited
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the corporate restructuring of the Group in preparation for the Listing, as described in the section headed "History, development and corporate structure—Reorganization"
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation (國家税務總局)
"Series A-1 Preferred Shareholder(s)"	the holder(s) of Series A-1 Preferred Shares as detailed in "History, development, and corporate structure"
"Series A-1 Preferred Share(s)"	the series A-1 preferred share(s) of our Company with a par value of US$0.0001 each
"Series A-2 Preferred Shareholder(s)"	the holder(s) of Series A-2 Preferred Shares as detailed in "History, development, and corporate structure"
"Series A-2 Preferred Share(s)"	the series A-2 preferred share(s) of our Company with a par value of US$0.0001 each
"Series B-1 Preferred Shareholder(s)"	the holder(s) of Series B-1 Preferred Shares as detailed in "History, development, and corporate structure"
"Series B-1 Preferred Share(s)"	the series B-1 preferred share(s) of our Company with a par value of US$0.0001 each
"Series B-2 Preferred Shareholder(s)"	the holder(s) of Series B-2 Preferred Shares as detailed in "History, development, and corporate structure"

"Series B-2 Preferred Share(s)"	the series B-2 preferred share(s) of our Company with a par value of US$0.0001 each
"Series C-1 Preferred Shareholder(s)"	the holder(s) of Series C-1 Preferred Shares as detailed in "History, development, and corporate structure"
"Series C-1 Preferred Share(s)"	the series C-1 preferred share(s) of our Company with a par value of US$0.0001 each
"Series C-2 Preferred Shareholder(s)"	the holder(s) of Series C-2 Preferred Shares as detailed in "History, development, and corporate structure"
"Series C-2 Preferred Share(s)"	the series C-2 preferred share(s) of our Company with a par value of US$0.0001 each
"SFC"	Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital our Company with a par value of US$0.0001 each
"Share Schemes"	the Pre-IPO Share Schemes and the Post-IPO Share Schemes
"Shareholder(s)"	holder(s) of our Share(s)
"Stabilization Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Track Record Period"	the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020
"Tetraphase"	Tetraphase Pharmaceuticals, Inc., a company established in Delaware, and the shares of which are listed on the Nasdaq Global Select Market (NASDAQ: TTPH)
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Exchange Act"	the *United States Securities Exchange Act of 1934*, as amended, and the rules and regulations promulgated thereunder
"U.S. SEC"	the Securities and Exchange Commission of the United States
"U.S. Securities Act"	the *United States Securities Act of 1933*, as amended, and the rules and regulations promulgated thereunder
"U.S. FDA"	U.S. Food and Drug Administration
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"White Form eIPO"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the White Form eIPO Service Provider, at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"%"	per cent

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

"Acinetobacter baumannii"	Gram-negative pathogen primarily associated with hospital-acquired infections, clinical isolates are frequently multiple drug resistant (MDR). The bacteria usually exists in the environment and could cause opportunistic infections in human beings and HABP, which is a target for SPR206, one of our drug candidates
"AD" or "atopic dermatitis"	an inflammation of the skin caused by immune system dysfunction usually developing in early childhood that is more common in people who have a family history of the condition, of which the main symptom is a rash and itching. AD is a target for etrasimod, one of our drug candidates
"ADC"	antibody-drug conjugate, a class of biopharmaceutical in which a small molecule anti-cancer drug is linked to a monoclonal antibody that targets cancer cells
"ADME"	with respect to pharmacokinetics and pharmacology, ADME (absorption, distribution, metabolism, and excretion) describes the disposition of a pharmaceutical compound within an organism. The principal aim of preclinical ADME studies is to eliminate drug candidates that have suboptimal pharmaceutical properties in the early stages of drug development which allow resources to be focused on higher priority drug candidates
"AE"	adverse event, any untoward medical occurrence in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials. AEs do not necessarily have a causal relationship with the treatment
"agonist"	a chemical that binds to a receptor and activates the receptor to produce a biological response, whereas an "antagonist" blocks the response of the receptor to a natural agonist
"AmpC"	a beta-lactam enzyme transmitted by ribosome or plasmid of bacteria which conveys resistance to penicillins, first-, second- and third- generation cephalosporins and cephamycins. AmpC is usually found in *Enterobacteriacea*, *Salmonella spp*, *Citrobacter spp*, and *Pseudomonas spp*

GLOSSARY OF TECHNICAL TERMS

"antibiotic"	a drug or medicine that kills or inhibits the growth of bacteria. Antibiotics are the chief antibacterial agents for fighting bacterial infections, and antibiotic medications are widely used in the treatment and prevention of those infections
"antibody"	a blood protein produced in response to and counteracting a specific antigen. Antibodies combine chemically with substances which the body recognizes as alien, such as bacteria, viruses, and foreign substances in the blood
"antigen"	a toxin or other foreign substance which induces an immune response in the body, especially the production of antibodies
"anti-TNF agents" or "anti-TNF-alpha antibodies"	antibodies that inhibit a protein called "tumor necrosis factor-α (TNFα)" that stimulates the inflammatory response in the body. Elevated concentration of TNFα at the site of inflammation is associated with the pathology of inflammatory autoimmune diseases, such as rheumatoid arthritis, psoriatic arthritis, CD, and UC. Therefore, the removal or neutralization of excess TNFα from sites of inflammation is the therapeutic goal to be achieved by TNFα antagonists
"AUC"	the area under the curve, a measure of how much of a drug is in a patient's system over a given time period. When followed by a specific time as in AUC0-12h or AUC0-24h, the given period of time would be 12 hours and 24 hours, respectively
"AUC0-inf"	area under the concentration-time curve from the first time point measured (0) extrapolated to infinity (inf)
"AUC0-last"	area under the concentration-time curve from the first time point measured (0) to the time of the last measurable concentration
"AUC0-t"	area under the concentration-time curve from the first time point measured (0) to the last time point measured (t)
"autoimmune"	with respect to any disorder or disease, the response that occurs when the immune system goes awry and attacks the body itself. Autoimmunity, present to some extent in everyone, is usually harmless but it can cause a broad range of human illnesses, known collectively as "autoimmune diseases"

"bacteria"	single-celled organisms that live in and around us with a distinct structure from other microbes. Bacteria can be helpful, but can also cause illnesses such as strep throat, ear infections, and pneumonia
"BAL"	bronchoalveolar lavage, a diagnostic method of the lower respiratory system in which a bronchoscope is passed through the mouth or nose into an appropriate airway in the lungs, with a measured amount of fluid introduced and then collected for examination
"basket trial"	a type of clinical trial that tests how well a new drug or other substance works in patients who have different types of cancer that all have the same mutation or biomarker. In basket trials, patients all receive the same treatment that targets the specific mutation or biomarker found in their cancer
"beta-lactam"	antibiotics that contain a beta-lactam ring in their molecular structure and work by binding to penicillin-binding proteins, thus inhibiting bacterial cell wall synthesis, causing cell death. They are one of the most commonly prescribed drug classes, having numerous clinical indications. This widely used group of antibiotics includes penicillins, cephalosporins, and carbepenems
"beta-lactamases"	enzymes that can hydrolyze beta-lactam antibiotics thereby deactivating them. Bacteria that produce beta-lactamases have resistance to beta-lactam antibiotics. Beta-lactamases include MBLs and SBLs
"biliary tract cancer" or "BTC"	a cancer in the slender tubes that carry the digestive fluid bile through the liver. It is a rare but aggressive form of cancer. Symptoms include yellow skin and eyes (jaundice), intensely itchy skin, and stool that is white in color, with treatment including surgery, chemotherapy, and radiotherapy
"biologics"	drug products derived from a variety of natural sources—human, animal, or microorganism—that may be produced by biotechnology methods and other cutting-edge technologies (in contrast to small molecule drugs that are chemically synthesized). They can be composed of sugars, proteins, or nucleic acids or complex combinations of these substances, or may be living entities, such as cells and tissues

"BL/BLI"	BL/BLI is a class of antibiotics which usually is a fixed combination of a betalactam antibiotic (either cephalosporine or carbapenem) and a beta-lactamase inhibitor. BL/BLI is currently used more in Gram-negative infection treatment
"BLA"	biologics license application used to request regulatory approval to introduce or deliver a biologic product into commercial use
"BLI"	beta-lactamase inhibitor, small molecule chemical drugs that block the activity of beta-lactamase enzymes, thereby preventing the degradation of beta-lactam antibiotics
"BOR"	best overall response, which is the best response recorded from the start of the treatment until disease progression/ recurrence (taking as reference for progressive disease the smallest measurements recorded since the treatment started)
"budesonide"	an immunosuppressant that is a potent agonist of glucocorticoid (a class of corticosteroids) receptors. Budesonide has an established safety and efficacy profile
"CABP"	community acquired bacterial pneumonia, pneumonia acquired outside of hospitals or other health care facilities. CABP differs from hospital acquired pneumonia, and is usually caused by streptococcus, haemophilus influenza, atpicals such as legionella and chlamydia mycoplasma. The clinical symptoms usually present fever, cough, and hypoxia with radiology sign of lesion of inflammatory effusion in lung
"carbapenem"	a class of highly effective antibiotic agents commonly used for the treatment of severe or high-risk, mostly MDR, bacterial infections. Similar to penicillins and cephalosporins, carbapenems are members of the beta-lactam class of antibiotics. However, carbapenems are usually reserved as one of the latter lines of therapy for MDR infections against drug-resistant pathogens and typical drugs in this class include ertapenem, meropenem and imipenem
"carbapenemase"	a subclass of beta-lactamases that can degrade carbapenem antibiotics and confer resistance to carbapenem antibiotics
"carcinoma"	a cancer that begins in the epithelial tissue of the skin or tissues that line the internal organs
"cardio-renal disease"	disorders of the heart and kidneys

"CBR"	clinical benefit rate, which, depending on the clinical trial and the entity or person conducting it, is the total number (or percentage) of patients who achieved a complete response or partial response or had a stable disease (i.e., cancer that is neither decreasing nor increasing in extent or severity) lasting at least six months. Basically, this is the number of patients who had any benefit from the intervention
"CD" or "Crohn's disease"	a chronic, incurable inflammatory bowel disease that affects the lining of the digestive tract and can sometimes cause life-threatening complications. CD symptoms can include abdominal pain, diarrhea, weight loss, anemia, and fatigue
"CDE"	Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and NDA
"CE"	clinically evaluable, with respect to a patient population in a clinical trial, those patients whose response to a treatment can be measured because enough information has been collected as defined in the clinical trial protocol
"cefepime"	Fourth generation cephalosporin antibiotic, which is used to treat bacterial infections, such as urinary tract infections, pneumonia, and skin infections. A member of the beta-lactam class of antibiotics
"cell line"	a population of cells that descend from a single cell and contain the same genetic makeup, and can be propagated repeatedly
"cephalosporins"	a class of beta-lactam antibiotics derived from the mold *Acremonium* (previously called *Cephalosporium*), which are bactericidal (kill bacteria) and work in a similar way to penicillins
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"CI"	confidence interval, in a clinical trial or study, a range of values that is likely to include a population value with a certain degree of confidence. The CI reflects the true effect on the entire population. This value indicates how precise

	the statistical calculation is and provides an estimate of the amount of error involved in the data. For example, in "overall survival of 81% (95% CI 78%-83%)": 81% is the mean overall survival of the group, with a 95% likelihood that the population's result will fall into the range of 78%-83% (the size of the range is called the standard error)
"cIAI"	complicated intra-abdominal infection, a type of major hospital-acquired or community-acquired infection which extends beyond the source organ into the peritoneal (membrane forming the lining of the abdominal cavity) space as a result of perforation or other damage to the gastrointestinal tract
"clinical trial/study"	experiments or observations done in clinical research where prospective biomedical or behavioral research studies on human participants are designed to answer specific questions, such as the efficacy of a drug. Generally, clinical trials are used to look at new ways to prevent, detect, or treat disease
"Cmax"	maximum measured drug concentration in blood plasma. References to "Cmax/D" are to dose-adjusted peak plasma exposure
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"cohort"	a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time
"colistin"	polymyxin E, an antibiotic which is frequently used as a last-line therapeutic option for the treatment of infections caused by MDR Gram-negative bacteria despite having very poor safety and tolerability profile at therapeutic doses
"combination therapy"	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
"comparator"	in a clinical study, the drug against which the safety and efficacy of the novel drug is measured
"Core Drug Candidates"	our "core products" as defined under Chapter 18A of the Listing Rules, namely etrasimod and eravacycline (Xerava)

"corticosteroids"	class of steroid hormones drug that lowers inflammation in the body and reduces immune system activity
"CRAB"	Carbapenem-resistant *Acinetobacter baumannii*. *Acinetobacter baumannii* is a type of bacteria commonly found in the environment, especially in soil and water. When isolates of *Acinetobacter baumannii* carry certain resistant mechanisms which leads to carbapenem to lose potency, these are clinically designated as CRAB. These bacteria are MDR, making infections very difficult to treat
"CRE"	carbapenem-resistant *Enterobacteriaceae*, Gram-negative bacilli that can spread from person to person through contact. CRE have become resistant to all or nearly all available antibiotics, including carbapenems
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CRP"	carbapenem-resistant pathogens, including for example, CRE, CRPA, and CRAB
"CRPA"	carbapenem-resistant *Pseudomonas aeruginosa*, Gram-negative bacilli that most commonly occur among patients with significant health care exposures, co-morbid conditions or invasive devices, and those who have received extended courses of antibiotics
"CRR"	clinical remission rate, the rate at which the symptoms of diseases, such as CD or other inflammatory bowel diseases have lessened to the point that they are mostly absent or gone
"Css, max, Cavg"	respectively, drug concentration in blood plasma at steady-state, maximum peak and average
"cUTI"	complicated urinary tract infections are defined as a clinical syndrome characterized by pyuria and a documented microbial pathogen in culture of urine or blood, accompanied by local and systemic signs and symptoms, including fever (i.e., oral or tympanic temperature greater than 38 degrees Celsius), chills, malaise, flank pain, back pain, and/or costo-vertebral angle pain or tenderness, that occur in the presence of a functional or anatomical abnormality of the urinary tract or in the presence of catheterization. Patients with pyelonephritis, regardless of underlying abnormalities of the urinary tract, are considered a subset of patients with cUTIs. cUTIs recurrents often increase the risk of MDR infection and also treatment failure

"cytotoxic" and "cytotoxin"	toxic to living cells and a substance toxic to cells, respectively
"DCR"	disease control rate, the percentage of patients with advanced or metastatic cancer who have achieved complete response, partial response and stable disease to a therapeutic intervention in clinical trials of anticancer agents
"DNA"	Deoxyribonucleic acid
"DOR"	duration of response, the length of time that a tumor continues to respond to treatment without the cancer growing or spreading. Cancer drugs that demonstrate improved DOR can produce a durable, meaningful delay in disease progression, as opposed to a temporary response without any lasting benefit
"double blind"	with respect to a clinical trial or study, one in which neither the participants nor the persons or entities conducting the same know who is receiving a particular treatment. This procedure is utilized to prevent bias in research results
"eGFR"	the estimated glomerular filtration rate, a measure of the function of the kidneys derived by testing the level of creatinine (waste product which muscles use to make energy) in the blood and calculated using a standard formula
"endpoint"	with respect to a clinical study or trial, the outcome that is measured, whether referring to occurrence of disease, symptom, sign or laboratory abnormality constituting a target outcome, in which case "endpoint" will be preceded by the outcome term, such as in "clinical remission endpoint" or "maintenance therapy endpoint"
"Enterobacteriaceae"	large family of Gram-negative bacteria, including *Escherichia coli* and *Klebsiella* species, with over 30 genera and more than 100 species. Some strains have acquired MDR which increases the challenge of treating with existing antibiotics
"eravacycline"	a novel, fully synthetic fluorocycline intravenous antibiotic developed for use as a first-line empiric monotherapy for the treatment of MDR infections, including MDR Gram-negative infections, such as *Enterobacteriaceae* and *Acinetobacter baumannii*. It is a parenteral synthetic tetracycline analog that blocks bacterial protein synthesis by binding to the 30S ribosomal subunit. It is one of our Core Drug Candidates and is approved in the United States

	and the European Union for the treatment of cIAI. It is marketed under the trade name Xerava
"ertapenem"	injected carbapenem antibiotic used to treat certain serious infections, including pneumonia and urinary tract, skin, diabetic foot, gynecological, pelvic, and stomach area infections that are caused by bacteria. It is also used for the prevention of infections following colorectal surgery
"ESBL"	extended-spectrum beta-lactamases, enzymes that break down and deactivate some commonly used beta-lactam antibiotics, making them ineffective. They are also SBLs
"Escherichia coli"	*Escherichia coli*, bacteria living in the intestines that are usually harmless, although some strains can cause diarrhea after eating contaminated food or drinking foul water. *Escherichia coli* can also cause abdominal, urinary tract, gynecology-related and blood infections for cIAI, usually as a result of gastrointestinal perforations
"ESRD"	end-stage renal disease, a disease state requiring dialysis or kidney transplant for survival due to insufficient kidney function
"etrasimod"	a next-generation, oral, highly selective S1P receptor modulator in development for autoimmune and inflammatory-mediated diseases that, if it ultimately obtains regulatory approval, has best-in-class potential. It induces immunomodulation (any process in which an immune response is altered to a desired level) by trapping lymphocytes in peripheral lymph nodes and blocking their egress into disease sites. Its initial indication is for the treatment of UC, but additional opportunities exist in CD and autoimmune skin disorders, such as AD. It is one of our Core Drug Candidates
"FGF19"	fibroblast growth factor 19, a specific ligand, for the FGF receptor 4. FGF19-FGFR4 signaling is implicated in many cellular processes, including cell proliferation, migration, metabolism and differentiation
"FGF401"	a small molecule competitive inhibitor of FGFR4, that was discovered by Novartis AG. FGF401 is a potential new treatment for HCC and other solid tumors with activation of the FGF19-FGFR4 pathway. It is one of our drug candidates
"FGFR4"	a receptor for FGF19, which requires KLB as a co-receptor. FGFR4 serves as a target for treatment of cancer because activation of the FGF19-FGFR4 pathway occurs in liver tumors and other solid tumors. Knockdown of FGF19,

	FGFR4 and KLB in liver cancer cell lines inhibits proliferation, and FGF19 expressed by non-tumor cells can lead to tumor formation in the liver. Fibroblast growth factor receptors (FGFRs) play a key role in regulating cell survival and proliferation, and a growing body of evidence suggest they also play a role in cancer progression
"first-line," "first-line treatment" or "1L"	with respect to any disease, the first line of treatment or therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment of a given type and stage of disease. It is also called primary treatment or therapy
"GLP"	good laboratory practice, a quality system of management controls for research laboratories and organizations to ensure the uniformity, consistency, reliability, reproducibility, quality, and integrity of products in development for human or animal health
"GMP"	good manufacturing practice, a system for ensuring that products are consistently produced and controlled according to quality standards. It is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product
"GSP"	Good Supply Practice
"grade" or "Grade"	the severity of adverse events, using Grade 1, Grade 2, Grade 3, etc.
"Gram-negative"	bacteria that do not retain crystal violet stain used in the Gram staining method for bacterial differentiation. Gram-negative bacteria are more dangerous as disease organisms, because they are more difficult for antibiotics to penetrate so are harder to destroy. Typically, Gram-negative organisms have the following the traits: (i) outer lipid membrane; (ii) thin peptidoglycan (substance forming the cell walls) layer (2 to 3 nanometers); (iii) usually doesn't have teichoic acids; (iv) can have flagella or pili Gram-negative bacteria can be found most abundantly in the human body in the gastrointestinal tract. Gram-negative bacteria include ESBL-producing *Enterobacteriaceae*, CRE, MCR-1 gene expressing bacteria and *Acinetobacter baumannii*, including carbapenem resistant strains
"Gram-positive"	bacteria that retain crystal violet stain used in the Gram staining method for bacterial differentiation. Gram-positive bacteria may be found in the gastrointestinal tract but also can reside on mucous membranes, such as mouth, vagina or

	the skin. Gram-positive bacteria include *Staphylococcus aureus*, including methicillin resistant strains (MRSA) and *Enterococci*, including vancomycin resistant strains (VRE)
"HABP/VABP"	hospital-acquired and ventilator-associated bacterial pneumonia, where HABP is pneumonia that occurs 48 hours or more after admission or no more than 7 days after discharge and did not appear to be incubating at the time of admission and VABP is a type of HABP that develops more than 48 hours after ventilation or endotracheal intubation, a medical procedure in which a tube is placed into the windpipe (trachea) through the mouth (in most emergency situations) or nose. Compared to CABP, HABP/ VABP causing pathogens acquired from hospitals have a higher chance of being MDR
"HCC"	hepatocellular carcinoma, the most common form of liver cancer. It most commonly occurs in people with liver disease, particularly in people with chronic hepatitis B and C
"HER2"	human epidermal growth factor receptor 2, a protein involved in normal cell growth which may be made in than normal amounts by some types of cancer cells, including breast, ovarian, bladder, pancreatic, and stomach cancers. This may cause cancer cells to grow more quickly and spread to other parts of the body
"HR+/HER2- BC"	form of breast cancer in which the cells express either the estrogen or progesterone receptor, but do not express human epidermal growth factor receptor 2
"HR+/HER2- mBC"	HR+/HER2- BC that is metastatic
"IgA"	Immunoglobulin A is made by B-cells (a lymphocyte) and plasma cells (types of white blood cells) and is a major serum immunoglobulin and the predominant antibody in the external secretions that bathe mucosal surfaces and play a key role in immune protection
"IgAN"	IgA nephropathy (also known as Berger's disease), an autoimmune renal disease which is the most common form of glomerulonephritis, a chronic inflammatory condition of the kidney in China. The pathogenesis of IgAN is caused by the formation of galactose-deficient IgA1-containing immune complexes that become deposited in the kidney and induce glomerular injury. IgAN is a serious progressive autoimmune disease that frequently leads to ESRD over the course of 10 to 20 years

"immunology"	the study of the molecular and cellular components that comprise the immune system, including their function and interaction
"immunosuppressants"	drugs or medicines that depress or prevent activity of the immune system
"immunotherapy"	use of a drug that modulates the activity of the immune system to treat disease
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application, or CTA, in China
"indication"	a disease condition which makes a particular treatment or procedure advisable
"infectious disease"	a disease caused by microorganisms that invade tissue
"inflammatory bowel disease"	ongoing inflammation of all or part of the digestive tract, including CD and UC
"in vitro"	a medical study or experiment which is done in the laboratory within the confines of a test tube or laboratory dish
"in vivo"	a medical test, experiment or procedure that is done on (or in) a living organism, such as a laboratory animal or human
"IP" or "IP receptor"	selective prostacyclin-receptor, a receptor belonging to the prostaglandin (PG) group of receptors. Prostacyclin or prostacyclin analogs can bind to IP and mediate biological actions. IP is encoded in humans by the PTGIR gene. While possessing many functions as defined in animal model studies, the major clinical relevancy of IP is as a powerful target for vasodilators (medications that open (dilate) blood vessels. As a result, blood flows more easily). Stimulators of IP are used to treat severe and even life-threatening diseases involving pathological constriction of the blood vessels
"isolates"	bacteria isolated from a specimen (e.g., stool, blood, water, soil or any environment sample). Specifically, a "resistant isolate" is an isolate that is resistant to one or more antibiotics and a "susceptible isolate" is an isolate that is not resistant to the antibiotics tested. Isolates from the human body are called clinical isolates
"JAK inhibitors"	a class of drugs or type of medication that functions by inhibiting the activity of one or more of the Janus kinase

	family of enzymes called Jaks (e.g., (JAK1, JAK2, JAK3, TYK2), thereby interfering with the JAK-STAT signaling pathway
"KLB"	Klotho beta, a co-receptor required for the activation of FGFR4 by FGF19
"Klebsiella pneumoniae"	Gram-negative bacteria that normally live in intestines and feces that are usually harmless but, if spread to another part of the body, can cause severe infections, such as urinary tract infections and pneumonia. Strains that are MDR can be difficult to treat with existing antibiotics
"KPC"	*Klebsiella pneumoniae* carbapenemase, beta-lactamase enzymes produced by a group of emerging highly drug-resistant Gram-negative bacilli causing infections associated with significant morbidity and mortality
"linker"	chemical agent that works within an ADC to connect a cytotoxin anticancer agent to an antibody. Linker types include hydrazones (i.e., hydrolyzable linker), disulfides, peptides or thioether and they may be cleavable and un-cleavable
"LPS"	large molecules consisting of a lipid and a polysaccharide that are found in the outer membrane of Gram-negative bacteria
"lymphocytes"	a sub-type of white blood cells, such as T-cells, B-cells (which differ from other types by expressing B-cell receptors on their surface, and are responsible for producing antibodies) and NK-cells (natural killer cells, a type of cytotoxic lymphocyte)
"MAD"	with respect to administering drugs or medicine to cohorts during clinical trials, multiple ascending doses given to patients
"MBL"	a subclass of beta-lactamases that use one or two Zinc ions in their active site. Bacteria producing MBLs are resistant to a wide variety of beta-lactam antibiotics and unaffected by most beta-lactamase inhibitors. MBLs are classified under Ambler Class B
"MDR"	with respect to any bacterial strain, that it is multi-drug resistant (resistant to more than one antibiotic)
"meropenem"	a broad-spectrum carbapenem antibiotic that is active against Gram-positive and Gram-negative bacteria. Meropenem exerts its action by penetrating bacterial cells readily and interfering with the synthesis of vital cell wall components, which leads to cell death

"metastatic"	with respect to any disease, including cancer, disease-producing organisms or malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"MIC"	minimal inhibitory concentration, the lowest concentration of a chemical, usually a drug, which prevents visible growth of a bacterium or bacteria. MIC depends on the microorganism and the antibiotic being tested. It is sometimes followed by a number as in "MIC90", which refers to the concentration of drug that inhibits growth of 90% of the strains being tested
"Micro ITT"	in antibacterial clinical studies, microITT refers to a subset of patients with intention to treat and with at least one baseline microbiology cultured pathogen
"microorganism"	a microscopic organism, especially a bacterium, virus, or fungus, which may exist in its single-celled form or in a colony of cells. It is also called a microbe
"MITT"	with respect to a clinical trial population, modified intent-to-treat is a subgroup of patients defined as all subjects who received at least one dose of study drug
"mNSCLC"	metastatic non-small cell lung cancer, the kind of lung cancer which has spread from the lungs to other parts of the body
"MOA"	mechanism of action, which, in pharmacology, refers to the specific biochemical interaction through which a drug substance produces its pharmacological effect. A mechanism of action usually includes mention of the specific molecular targets to which the drug binds, such as an enzyme or receptor
"monoclonal antibodies"	antibodies generated by identical immune cells that are all clones of the same parent cell
"monotherapy"	therapy that uses a single drug to treat a disease or condition
"MRSA"	methicillin-resistant *Staphylococcus aureus*, Infection caused by a type of staph bacteria that has become resistant to many of the antibiotics used to treat ordinary staph infections
"MTDs"	maximum tolerated doses, each of which is the highest dose of a drug or treatment that does not cause unacceptable side effects. The MTD is determined in

	clinical trials by testing increasing doses on different groups of people until the highest dose with acceptable side effects is found
"mTNBC"	metastatic triple-negative breast cancer, TNBC that has spread to other parts of the body
"mUC" or "metastatic urothelial cancer"	urothelial cancer that has transferred or spread to other parts of the body
"NDA"	new drug application, submission of which is the vehicle through which drug sponsors formally propose that the relevant drug regulatory authority approve a new pharmaceutical for sale and marketing
"NDM"	New Dehli MBL, a metallo beta-lactamase enzyme that makes bacteria resistant to a broad range of beta-lactam antibiotics. These include the antibiotics of the carbapenem family
"Nefecon"	a potent immunosuppressive agent for which we obtained IND approval in IgAN in 2019, that is a patented oral formulation of budesonide in Phase 3 development for the treatment of IgAN. It is a novel formulation that enables the local delivery of budesonide to the site of aberrant IgA antibody production in the ileum, enhancing efficacy while reducing side effects associated with systemic use of budesonide. It is one of our drug candidates and our anchor asset in the treatment of cardio-renal disease
"nephrotoxicity"	toxicity in the kidneys. It is a poisonous effect of some substances, both toxic chemicals and medications, on kidney function. There are various forms, and some drugs may affect kidney function in more than one way. A "nephrotoxin" is a substance displaying nephrotoxicity
"NSCLC"	non-small cell lung cancer, the most common type of lung cancer making up about 80% to 85% of all cases, which may or not be metastatic. The cells of NSCLC are larger than those of small cell lung cancer. Generally, small cell cancer is more aggressive than NSCLC
"OLE"	open-label extension, a type of clinical study that typically follows a double- blind randomized placebo controlled trial of a new drug in which the objective is primarily to gather information about safety and tolerability of the new drug in long-term, day to day use
"oncology"	branch of medicine that deals with the prevention, diagnosis, and treatment of cancer

"organism"	a discrete and complete living thing, such as animal, plant, fungus or microorganism
"ORR"	objective response rate, the proportion of patients who have a partial or complete response to therapy; it does not include stable disease and is a direct measure of drug tumoricidal activity
"p" or "p-value"	with respect to clinical trials or studies, the probability of obtaining a result at least as extreme as the one that was actually observed in the biological or clinical experiment or epidemiological study, given that the null hypothesis (which is the hypothesis to be nullified that there is no association between the investigated factors or characteristics) is true. A result is said to be "statistically significant" if there is the likelihood that a relationship between two or more variables is caused by something other than chance (so it allows for rejection that the null hypothesis is true) whereas "clinically meaningful" is the practical importance of a treatment effect—whether it has a real genuine, palpable, noticeable effect on daily life
"PAH"	pulmonary arterial hypertension, a rare, progressive disorder characterized by high blood pressure (hypertension) in the arteries of the lungs (pulmonary artery) for no apparent reason. The pulmonary arteries are the blood vessels that carry blood from the right side of the heart through the lungs. Symptoms include shortness of breath, dizziness, and chest pressure as the condition worsens over time. Medications and oxygen therapy can help lessen symptoms
"parenteral"	with respect to any drug, biologics, medicine or treatment (including therapy), refers to its being administered or occurring, as the case may be, in the body other than by mouth and alimentary canal. Most parenteral dosage forms are administered by injection into a vein, subcutaneous tissue or intramuscular
"pathogen"	in biology, any organism or substance, such as bacteria, viruses, protozoa or fungi microorganisms, capable of causing disease. A pathogen may also be referred to as an infectious agent or simply a germ
"payload"	in ADCs, the cytotoxic agent delivered by a monoclonal antibody to a tumor cell
"PBMCs"	peripheral blood mononuclear cells, a diverse mixture of highly specialized immune cells consisting primarily of lymphocytes and monocytes

"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T-cells, B-cells and macrophages. The normal function of PD-1 is to turn off the T- cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T-cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T-cell turns off its ability to kill the cell
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
"Peyer's patches"	small masses of lymphatic tissue found throughout the ileum region of the small intestine, which form an important part of the immune system by monitoring intestinal bacteria populations and preventing the growth of pathogenic bacteria in the intestines
"pharmacodynamics" or "PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"pharmacokinetics" or "PK"	the study of the movement of the bodily absorption, distribution, bioavailability, metabolism, and excretion of drugs as a function of time, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"pharmacology"	a branch of medicine and pharmaceutical sciences which is concerned with the study of drug or medication action, where a drug can be broadly or narrowly defined as any man-made, natural, or endogenous molecule which exerts a biochemical or physiological effect on the cell, tissue, organ, or organism
"Phase 1"	studies that are usually conducted with healthy volunteers and that emphasize safety. The goal is to find out what the drug's most frequent and serious adverse events are and, often, how the drug is metabolized and excreted.
"Phase 2" or "Phase 2b"	studies that gather preliminary data on effectiveness (whether the drug works in people who have a certain disease or condition). For example, participants receiving the drug may be compared with similar participants receiving a different treatment, usually an inactive substance (called a placebo) or a different drug. Safety continues to be evaluated, and short-term adverse events are studied.

"Phase 3"	clinical trials of which the main focus are large confirmatory studies meant to establish an acceptable benefit/safety profile in order to gain regulatory approval for a precisely defined indication ("registrational clinical trials"), including by comparing the new treatment (or new use of a treatment) with the current standard treatment. Phase 3 trials are well-controlled trials that provide scientifically credible and statistically strong evidence about the treatment indication hypothesized at the end of Phase 2 investigation
"PMB"	polymyxin B, which is used as a last-line therapeutic option for the treatment of infections caused by MDR Gram-negative bacteria despite having very poor safety and tolerability profile at therapeutic doses
"pre-clinical study(ies)"	in vitro studies or in vivo studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"primary endpoint"	with respect to a clinical study or trial, the main predefined result that is measured at the end of a study (e.g., the number of deaths or the difference in survival between the treatment group and the control group).
"progression-free survival" or "PFS"	the length of time during and after the treatment of a disease, such as cancer, that a patient lives with the disease but it does not get worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works
"proteinuria"	condition characterized by the presence of greater than normal amounts of protein in the urine. It is usually associated with some kind of disease or abnormality but may occasionally be seen in healthy individuals
"Pseudomonas aeruginosa"	Gram-negative bacteria, the most common pathogen isolated from patients who have been hospitalized longer than one week. It is a frequent cause of infections acquired during hospitalization, such as pneumonia, urinary tract infections, and bacteremia (bacteria in the blood) that are spread through improper hygiene, such as from the unclean hands of healthcare workers or via contaminated medical equipment that wasn't fully sterilized, for which there are limited treatment options
"psoriasis" or "plaque psoriasis"	an autoimmune condition in which skin cells build up and form scales and itchy, dry patches

"qhr"	with respect to dose administration in a clinical trial, the abbreviated term for timing of doses (e.g., q8h means every 8 hours and q12h means every 12 hours), which is not the same as three times a day (tid3 or TD3)
"ralinepag"	a next-generation potent, orally available selective prostacyclin (IP) receptor agonist, being developed for the treatment of PAH. In non-clinical experiments, ralinepag demonstrated potentially best-in-class activation of the IP receptor resulting in vasodilation (the dilatation of blood vessels, which decreases blood pressure), inhibition of smooth muscle cell proliferation and inhibition of platelet aggregation (a small colorless disk-shaped cell fragment without a nucleus, found in large numbers in blood and involved in clotting). Results of early stage studies of ralinepag PK in humans and ralinepag in Phase 2 clinical trials have also been promising as described further in this document. It is one of our drug candidates
"receptors"	a region of tissue, or a molecule in a cell membrane, which responds specifically to a particular signal, that is any of a neurotransmitter, hormone, antigen, or other substance. "Receptor modulator" or a "selective receptor modulator" (SRM) is a type of drug that has different effects in different tissues, as it may behave as an agonist in some tissues but as an antagonist in others
"RECIST"	response evaluation criteria in solid tumors, which is a set of published rules that define when tumors in cancer patients improve ("respond"), stay the same ("stabilize"), or worsen ("progress") during treatment. This evaluation must be made by treating physicians or independent radiology physicians
"RECIST 1.0"	RECIST version 1.0, criteria that divide lesions into measurable and non-measurable lesions before the start of therapy. The sum of the longest diameter of the target lesions is calculated. At each time point, the same target lesions are measured
"refractory"	when used in reference to any type of disease, disease that does not respond to treatment. The disease may be resistant at the beginning of treatment or it may become resistant during treatment
"registrational trial" or "registrational clinical trial"	a controlled or uncontrolled human clinical trial approved by the health authorities that is intended to generate sufficient data and results to support the filing of an application of new drug approval and be the basis for regulatory approval of a drug candidate

"renal"	of or pertaining to the kidney, as with renal pelvis cancer
"RP2D"	recommended Phase 2 dose, the dose determined during Phase 1 by ascertaining the MTD, the maximal dose with the dose limiting toxicities (DLT) not exceeding a pre-set limit. However, before proceeding to Phase 2, the entity or persons conducting the clinical trial want to confirm that (i) the RP2D is appropriate, (ii) there is a suitable population to use in the Phase 2 study, and (iii) the dose is efficacious and if there could be lower, less toxic doses with good efficacy
"S1P"	Sphingosine-1-phosphate, a signaling sphingolipid, also known as lysosphingolipid. In the immune system, S1P is now recognized as a major regulator of trafficking of T- and B-cells
"S1PR"	sphingosine 1-phosphate receptor, a class of G protein-coupled receptors that are targets of the lipid signaling molecule S1P. They are divided into five subtypes: S1PR1, S1PR2, S1PR3, S1PR4 and S1PR5.
"SAD"	with respect to administering drugs or medicine to cohorts during clinical trials, single ascending doses
"SAEs"	serious adverse events, any untoward medical occurrence in a patient during clinical trials that: results in death, is life-threatening, requires inpatient hospitalization or prolongation of existing hospitalization, results in persistent or significant disability/incapacity, may have caused a congenital anomaly/birth defect, or requires intervention to prevent permanent impairment or damage
"SBLs"	serine-beta-lactamases, a diverse set of enzymes sharing several highly conserved amino acid sequences with penicillin binding protein (PBPs) that act as a catalyst to break down a broad range of beta-lactam drugs, including carbapenems. SBLs are classified into three major molecular classes (Ambler Classes A (penicillinases), C (cephalosporinases), and D (oxacillinase)), based on amino acid sequence similarity
"second-line," "second-line treatment" or "2L"	with respect to any disease, the second line of treatment or therapy or therapies that are tried when the first-line treatments do not work adequately. A break with the primary treatment and an adoption of a new regimen signals "second-line treatment." This may be because the first-line therapy did not work, may have had some limited efficacy, or may have produced unacceptable side effects. Often the U.S. FDA, the NMPA or other drug regulatory

	authority will specifically approve a new drug for second-line therapy. This labeling is common for new drugs that treat cancers which already have accepted treatments
"secondary endpoint"	with respect to a clinical study or trial, a secondary objective that was measured. For example, a drug designed to prevent allergy-related deaths might also have a measure of whether quality of life is improved
"SN-38"	a topoisomerase I inhibitor used as a chemotherapeutic payload. It is the active "metabolite" of irinotecan, which is a chemotherapeutic agent used for the treatment of lung and colorectal cancers
"solid tumor"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them. Examples of solid tumors are sarcomas, carcinomas, and lymphomas
"SPR206"	SPR206 is a polymyxin derivative compound being clinically developed for treating serious infections caused by Gram-negative organisms. SPR206 is being developed as a treatment for high-risk patients with suspected or known Gram-negative infections, such as CRE, CRAB, and MDR *Pseudomonas aeruginosa* to prevent mortality and reduce the length of stay in the hospital setting. It is one of our drug candidates
"standard of care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals. It is also called best practice, standard medical care, and standard therapy
"T-cell" or "T lymphocyte"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the body's immune response, which plays a central role in cell-mediated immunity. T-cells can be distinguished from other lymphocytes by the presence of a T cell receptor on the cell surface and can be T naive, T central memory, T helper cells, T cytotoxic and T effector memory cells
"T1/2"	terminal half-life, the time required for the blood plasma concentration of a drug to fall to 50% of its peak value. It is used to measure the removal of things, such as metabolites, drugs, and signaling molecules, from the body and typically refers to the body's natural cleansing through the function of the liver and through the excretion of the measured substance through the kidneys and intestines

"taniborbactam"	novel injectable BLI (formerly VNRX-5133) that features selective and potent in vitro and in vivo activity against both SBLs and MBLs, including the following enzymes: ESBL; Oxacillinase (OXA); KPC; (NDM); and Verona integron-encoded metallo-beta-lactamase (VIM) It is one of our drug candidates in a fixed combination with cefepime. If successful, cefepime-taniborbactam is expected to provide a safe and effective therapy for treatment of diseases due to MDR Gram-negative bacteria, particularly ESBL, CRE and CRPA. Its potential indications include treatment of cUTI and HABP/VABP
"TEAEs"	treatment-emergent adverse events that are AEs not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following treatment
"tetracyclines"	a class of antibiotics that may be used to treat infections caused by susceptible microorganisms, such as Gram-positive bacteria and Gram-negative bacteria. Tetracyclines act by inhibiting the synthesis of protein by binding to the bacterial 30S ribosomal subunit
"third-line," "third-line treatment" or "3L"	with respect to any disease, the third line of treatment or therapy that is given when both initial treatment (first-line) and subsequent treatment (second-line) do not work, or stop working
"TIG" or "tigecycline"	an antibiotic in the tetracycline class developed for a number of bacterial infections. It is a glycylcycline (a new generation of antibiotics derived from tetracyclines) administered intravenously that was developed in response to the growing rate of antibiotic resistant bacteria
"Tmax"	observed time after drug administration at which peak concentration of the drug occurs
"TNBC"	triple-negative breast cancer, a type of breast cancer with cancer cells that do not have any of the receptors commonly found in breast cancer, including estrogen or progesterone (each, a female sex hormone) receptors or HER2 receptors. TNBC accounts for about 15% of all breast cancers and has fewer treatment options, since it does not respond to hormone therapy or HER2-targeted agents
"TOC"	test-of-cure, which is the prescheduled visit at the end of a clinical treatment period to determine if an intervention was clinically effective

"tolerability"	the degree to which overt AEs of a drug can be tolerated by a patient. Tolerability of a particular drug can be discussed in a general sense, or it can be a quantifiable measurement as part of a clinical study
"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure. It is expressed generally as a dose response
"Trodelvy" or "sacituzumab govitecan"	an anti-TROP-2-SN-38 ADC recently approved by the U.S. FDA for adult patients with mTNBC who received at least two prior therapies for metastatic disease. Trodelvy has first-in-class potential in treating other types of breast cancer, urothelial cancer, metastatic urothelial cancer, NSCLC and other oncological indications, if it ultimately obtains regulatory approval. It is one of our drug candidates
"TROP-2"	human trophoblast cell-surface antigen 2, which is a membrane antigen that is frequently over-expressed in many common solid tumors
"TTP"	time to progression, the length of time from the date of diagnosis of the tumor or the start of treatment until the disease starts to get worse or spread to other parts of the body. In a clinical trial, measuring the TTP is one way to see how well a new treatment works
"ulcerative colitis" or "UC"	a chronic, inflammatory bowel disease that causes inflammation in the digestive tract
"urothelial cancer" or "urothelial carcinoma"	a type of cancer that begins in urothelial cells which are cells that line the urethra, bladder, ureters, renal pelvis, and some other organs that make up the urinary system
"VIM"	Verona integron-encoded metallo-beta-lactamase enzyme
"VRE"	vancomycin-resistant *Enterococcus*, bacterial strains of the genus *Enterococcus* that are resistant to the antibiotic vancomycin
"XDR"	when used in reference to any bacterial strain, means that it is extensively drug resistant. XDR bacteria are different from MDR bacteria and pan-drug resistant bacteria in the extent to which the bacteria are drug-resistant, with MDR bacteria being unsusceptible to one or more antimicrobial agents (agents that kill microorganisms or stop their growth) and pan-drug resistant bacteria being unsusceptible to all antimicrobial agents. Therefore, XDR bacteria rest somewhere in between these two categories

"Xerava"	the trade name for eravacycline
"XR"	with respect to a dosage of a drug, a modified-release dosage mechanism that (in contrast to an immediate-release dosage) delivers a drug for a prolonged period of time, specifically an extended-release dosage (as in "XR tablet" or " ralinepag XR")

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as 'will', 'expect', 'anticipate', 'estimate', 'believe', 'going forward', 'ought to', 'may', 'seek', 'should', 'intend', 'plan', 'projection', 'could', 'vision', 'goals', 'aim', 'aspire', 'objective', 'target', 'schedules', and 'outlook') are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- all other risks and uncertainties described in "Risk factors".

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

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

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

All eight drug candidates in our product pipeline, including the two Core Drug Candidates, and their relevant patents were in-licensed from third parties, and we have yet to demonstrate internal R&D capabilities leading to the commercialization of our portfolio drug candidates and have no experience in the commercialization of drugs.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business, comprising (a) risks related to our reliance on our business partners, (b) risks related to search and selection of our drug candidates, (c) risks related to our market exclusivity, (d) risks related to clinical development of our drug candidates, (e) risks related to obtaining regulatory approval for our drug candidates, (f) risks related to commercialization of our drug candidates, and (g) risks related to our trademarks and trade names; (ii) risks related to our financial position and need for additional capital; (iii) risks related to our business and operations; (iv) risks related to doing business in China; and (v) risks related to the Global Offering.

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

RISKS RELATED TO OUR BUSINESS

Risks Related to Our Reliance on Our Business Partners

Our rights to develop and commercialize our drug candidates are subject to the terms and conditions of licenses and sublicenses granted to us by third parties.

We rely on licenses and sublicenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development of our drug candidates. Our licensors and sublicensors may also provide us with clinical data required for NDA filings in our licensed or sublicensed territories pursuant to these licenses, among many other supports. However, these and other licenses may not provide exclusive rights to use such intellectual property in all relevant fields of use and in all territories in which we may wish to develop or commercialize our drug products and the underlying patents may fail to provide the intended exclusivity. As a result, we may not be able to prevent competitors from developing and commercializing competitive drug products in the markets that we hope to address. In addition, our licenses may not include rights to all intellectual property relevant to our drug candidates, and as a result, we may need to obtain additional licenses from our existing licensors, which may not be available on an exclusive basis, commercially reasonable terms or

at all, or expend significant time and resources to redesign our drug candidates or the methods for manufacturing them, all of which may not be feasible on a technical or commercial basis. Moreover, we do not own the underlying intellectual property related to these candidates, and as a result our rights are subject to the continuation and compliance with the terms of those agreements. If our licensors breach our license agreements, we may not be able to enforce such agreements or obtain remedies that are sufficient or adequate. If these in-licenses are terminated, competitors would have the freedom to develop, seek regulatory approval of, and to market, products identical to ours.

In addition, these license agreements may not grant us the right to control the preparation, filing, prosecution, maintenance, enforcement, and defense of patents and patent applications covering our drug. Moreover, we have not had and do not have primary control over these activities for certain of our patents or patent applications and other intellectual property rights that we jointly own with certain of our licensors and sublicensors. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced, and defended in a manner consistent with the best interests of our business. If our current or future licensing or collaboration partners fail to prosecute, maintain (including by failing to pay the relevant fees), enforce and defend patents licensed to us that are material to our business, the exclusivity associated with the relevant drug candidate may be reduced or eliminated, and as a result, our ability to prevent competitors from developing or commercializing the same drugs, could be adversely affected. In addition, even where we have the right to control patent prosecution and maintenance of patents and patent applications licensed to us, we may still be adversely affected or prejudiced by actions or inactions of our sublicensees, our licensors, the inventors, third-party collaborators and each of their respective counsel that took place either before or after the date upon which we assumed that control.

Pursuant to the terms of our license agreements, the licensors or collaboration partners may have the right to control enforcement of our licensed patents or defense of any claims asserting the invalidity or unenforceability of these patents. Even if we are permitted to enforce or defend these patents, this will require the cooperation of our licensors or collaboration partners and any other relevant patent owners, and we cannot be certain that such cooperation will be provided to us. We also cannot be certain that our licensors or third-party collaborators will allocate sufficient resources or prioritize their enforcement of such patents or defense of such claims to protect our interests. An adverse outcome in any of these matters, regardless of whether we are a party or otherwise participating, could significantly harm our business if we are relying on the patents for exclusivity or material technology or we are subject to damages or other restrictions on our business activities.

In addition, our licensors may have relied on third party consultants or collaborators or on funds, resources or expertise from third parties such that our licensors are not the sole and exclusive owners of the patents we in-license. If other third parties have ownership rights to our in-licensed patents, they may be able to license such patents to our competitors, and our competitors could market equivalent or substantially equivalent products and technologies. In addition, if our licensors have not obtained adequate rights and licenses from these third parties, we may need to obtain additional rights from these third parties or we could be prevented from developing and commercializing the related drug candidates or face competition. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

Over time, we may seek additional rights to intellectual property from our licensors and, in connection with the related negotiations, we may agree to amend our existing licenses in a manner that may be more favorable to the licensors, including by agreeing to terms that could enable third parties (potentially including our competitors) to receive licenses to a portion of the intellectual property that

is subject to our existing licenses. Any of the above-described events could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

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

Under each of our license and intellectual property-related agreements, in exchange for licensing or sublicensing us rights to develop or commercialize the applicable drug candidates, our licensors will be eligible to receive certain payments, including, by way of example, milestone payments, tiered royalties based commercial sales and other payments. Our license and intellectual property-related agreements also require us to comply with other obligations, such as to use certain efforts in developing and commercializing the products, provide certain information regarding our activities and maintain the confidentiality of information we receive from our licensors. In certain of our license agreements, we also are required to achieve certain developmental and commercial milestones by specific deadlines. We cannot be certain that we will be able to fulfill all such obligations. In particular, some of the milestone payments that we are obligated to pay under these agreements are payable upon our drug candidates reaching development milestones before we have commercialized, or received any revenue from, sales of such drug candidate, and we cannot guarantee that we will have sufficient resources to make such milestone payments. In addition, drug development is an uncertain process and even if we have such resources, we cannot be certain that such milestones will be met during the timeline required by our license agreements. If we fail to comply with our obligations under our current or future license agreements, our counterparties may have the right to terminate these agreements and, upon the effective date of such termination, may have the right to terminate our exclusive rights or all of our rights and acquire rights to certain of our intellectual property. If any of our licensors, or their licensors, terminate any license we rely upon, we might not be able to develop, manufacture or market any drug or drug candidate related to the intellectual property licensed under these agreements and we may face other additional penalties or be required to grant our licensors' rights to our intellectual property and assets. In such case, we may have to negotiate new agreements or terms with less favorable terms to us, if we are able to do so at all. We may also face claims for monetary damages or other penalties. While we would expect to exercise all rights and remedies available to us, including seeking to cure any breach we commit if permitted, and otherwise seek to preserve our rights under the intellectual property rights licensed and sublicensed to us, we may not be able to do so in a timely manner, at an acceptable cost or at all. Any of the foregoing could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

In addition, the agreements under which we license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. Disputes may arise regarding these agreements, including:

- the scope of rights granted under the license agreement;
- the extent to which the conduct of our business, including any relevant technology and processes, infringe, misappropriate or otherwise violate intellectual property of the licensor that is not subject to the license agreement;
- the sublicensing of patent and other rights under the license agreement;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;

- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

The resolution of any dispute could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to use the intellectual property or otherwise maintain our current licensing arrangements on commercially acceptable terms, we may not be able to successfully develop and commercialize the affected drug candidates, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, certain of our licensors do not own some or all of the intellectual property that they license to us, but instead have licensed such intellectual property from a third party, and have granted us a sublicense. If our licensors were to fail to comply with their obligations under the agreements pursuant to which they obtain the rights that are sublicensed to us, or should such agreements be terminated or amended, our rights to the applicable licensed intellectual property may be terminated or narrowed, we may lose exclusivity, and our ability to develop, manufacture and commercialize our products and drug candidates may be materially harmed. Any of the foregoing could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

We may not realize the benefits of our existing and future collaborations, strategic alliances or licensing arrangements.

We have entered into licensing arrangements with third parties with respect to our current drug candidates. We may form or seek additional alliances, create joint ventures or collaborations or enter into additional licensing arrangements with third parties in the future that we believe will complement or augment our development and commercialization efforts with respect to our existing and potential future product candidates. Any of these relationships may require us to incur recurring or non-recurring expenses and other charges, increase our near and long-term expenditures, issue securities that dilute the value of our Shares, or disrupt our management and business.

We face significant competition in seeking appropriate strategic partners and the negotiation process can be time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other arrangements for our drug candidates for various reasons, including because our drug candidates may be deemed to be at too early a stage of development for collaborative effort, third parties may not view our drug candidates as having the requisite potential to demonstrate safety and efficacy, or we may not have the necessary expertise or resources for the partner to want to grant us the rights we are seeking, whether related to a new or existing drug candidate we are developing. If and when we collaborate with a third party for the development and commercialization of a drug candidate, we can expect to relinquish some or all of the control over the future success of that drug candidate to the third party.

Further, collaborations involving our drug candidates are subject to specific risks, such as:

- collaborators may have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- collaborators may not pursue the development and commercialization of our drug candidates or may elect not to continue or renew development or commercialization programs based on clinical

trial results, changes in their strategic focus, changes in their pricing strategy, availability of funding, or other factors, such as a business combination or change of control that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, discontinue a clinical trial, repeat or conduct new clinical trials, or require a new formulation of a drug candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drug candidates or future drugs;
- collaborators with development, marketing and distribution rights to one or more of our drug candidates or future drugs may not commit sufficient resources to these activities;
- collaborators may not properly maintain or defend intellectual property rights that we are licensed or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate such intellectual property or other proprietary information or expose us to potential liability;
- a collaborator may not always be cooperative or responsive in providing their services in a clinical trial;
- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our drug candidates, or that result in costly litigation or arbitration that diverts management attention and resources;
- collaborators may enter into change of control and other transactions, which may divert the attention of their management from ordinary operating matters and disrupt their business related to our drug candidates;
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable drug candidates;
- the collaboration may result in increased operating expenses or the assumption of indebtedness or contingent liabilities; and
- collaborators may own or in the future, co-own intellectual property covering our drug candidates or future drugs that results from our collaborating with them, and in such cases, we may not have the exclusive right to commercialize such intellectual property.

As a result, if we enter into collaboration agreements and strategic partnerships or license our drugs, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate these agreements or partnerships with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business.

We also cannot be certain that, following a strategic transaction or license, we will be able to achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities,

we may not be able to further develop our drug candidates or bring them to market and generate product sales revenue, which would harm our business, financial condition, results of operations and prospects.

As we rely on third parties to conduct clinical trials for us, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

We have relied on and plan to continue to rely on third-party CROs to monitor and manage data for some of our ongoing clinical programs. We rely on these parties for the execution of our clinical trials, and we control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of the studies sponsored by us is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We also expect to rely on third parties to assist in conducting any pre-clinical studies that we may carry out in the future in accordance with Good Laboratory Practices, or GLP.

In the case of a global study sponsored by our licensors that we participate in, we rely on our licensors for ensuring the overall conduct and integrity of the study in the same capacity as we do in trials sponsored by us. Our licensors might in turn rely on third party CROs to monitor and manage the execution of the study.

We and our CROs are required to comply with GCP, GLP and other regulatory regulations and guidelines enforced by the NMPA and comparable foreign regulatory authorities for all of our drug candidates in clinical development. Regulatory authorities enforce these GCP, GLP or other regulatory requirements through periodic inspections of trial sponsors, investigators and trial sites. If we or any of our CROs fail to comply with applicable GCP, GLP or other regulatory requirements, the relevant data generated in our clinical trials may be deemed unreliable and the NMPA or other comparable regulatory authorities may require us to perform additional clinical studies before approving our marketing applications. There can be no assurance that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials complies with GCP requirements. In addition, our clinical trials must be conducted with drug candidates or products produced under GMP requirements. Failure to comply with these regulations may require us to repeat pre-clinical and clinical trials, which would delay the regulatory approval process.

Our CROs have the right to terminate their agreements with us in the event of an unrectified material breach. If any of our relationships with our third-party CROs is terminated, we may not be able to (i) enter into arrangements with alternative CROs or do so on commercially reasonable terms or (ii) meet our desired clinical development timelines. In addition, there is a natural transition period when a new CRO commences work, and the new CRO may not provide the same type or level of services as the original provider and data from our clinical trials may be compromised as a result. There is also a need for relevant technology to be transferred to the new CRO, which may take time and further delay our development timelines.

Except for remedies available to us under our agreements with our CROs, we cannot control whether or not our CROs devote sufficient time and resources to our clinical, nonclinical and pre-clinical programs. If our CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our

clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed and our costs could increase. In turn, our ability to generate revenues could be delayed or compromised.

Because we rely on third parties, our internal capacity to perform these functions is limited. Outsourcing these functions involves certain risks that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these third parties, which could increase the risk that such information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party service providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

We expect to rely on third parties to manufacture most of our drug candidates. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

We expect to rely on third parties to manufacture most of our drug candidates. Our anticipated reliance on third-party manufacturers exposes us to certain risks, such as:

- we or our licensors may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the NMPA or other comparable regulatory authorities must approve any manufacturers as part of their regulatory oversight of our drug candidates. This approval would require new testing and GMP-compliance inspections by the NMPA or other comparable regulatory authorities. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our drugs;
- the contract manufacturers may have little or no experience with manufacturing our drug candidates, and therefore may require a significant amount of support from us or our licensors in order to implement and maintain the infrastructure and processes required to manufacture our drug candidates;
- the contract manufacturers may have limited capacity or limited manufacturing slots, which may affect the timeline for the production of our drugs;
- the contract manufacturers might be unable to timely manufacture our drug candidates or produce the quantity and quality required to meet our clinical and commercial needs, if any;
- the contract manufacturers may not be able to execute our or our licensors' manufacturing procedures and other logistical support requirements appropriately;
- our or our licensors' future contract manufacturers may not perform as agreed, may not devote sufficient resources to our drugs, or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our drugs;
- the contract manufacturers are subject to ongoing periodic unannounced inspections by the NMPA and the FDA to ensure strict compliance with GMP and other government regulations in the PRC and the United States, respectively, and by other comparable regulatory authorities for

corresponding regulatory requirements. We or our licensors do not have control over third-party manufacturers' compliance with these regulations and requirements;

- we may not own, or may have to share, the intellectual property rights to any improvements made by the third-party manufacturers in the manufacturing process for our drugs;
- the contract manufacturers could breach or terminate their agreements with us or our licensors;
- the contract manufacturers may be unable to sustain their business and become bankrupt as a result;
- raw materials and components used in the manufacturing process, particularly those for which we or licensors have no other source or supplier, may not be available or may not be suitable or acceptable for use due to material or component defects;
- products and components from our or our licensors' third-party manufacturers may be subject to additional customs and import charges, which may cause us to incur delays or additional costs as a result;
- the contract manufacturers and critical reagent suppliers may be subject to inclement weather, as well as natural or man-made disasters; and
- the contract manufacturers may have unacceptable or inconsistent product quality success rates and yields.

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

Manufacturers of biopharmaceutical products often encounter difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process, including the absence of contamination. These problems include logistics and shipping, difficulties with production costs and yields, quality control, including stability of the product, product testing, operator error and availability of qualified personnel, as well as compliance with strictly enforced regulations in the PRC, the United States and other applicable jurisdictions. Further, if contaminants are discovered in the supply of our drug candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time for us to investigate and remedy the contamination. There can be no assurance that any stability failures or other issues relating to the manufacture of our drug candidates will not occur in the future. Additionally, the contract manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environment. If the contract manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide our drug candidate to patients in clinical trials would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of our clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

If we have not been granted the manufacturing rights of an in-licensed product, we may not have the control over the manufacturing process and related cost.

Each of our licensing agreements provides a process for ensuring sufficient commercial scale supplies in our territories, including an obligation by each licensor, under each license agreement, to provide commercial scale supply once each product is approved in the territories covered by each license agreement. The license agreements for each of our pipeline products also contain provisions concerning the transfer of manufacturing know-how to us. However, if we have not been granted the manufacturing rights of an in-licensed product, we may not have control over its manufacturing process and related cost. In some cases, the licensor is required to use only commercially reasonable efforts to transfer such know-how within a certain time period. Further, certain agreements require consent of licensor for the transfer of manufacturing know-how to a third party, certain agreements require that we provide at least twelve months' notice of manufacturing commencement and one agreement requires that the third party manufacturer agree to supply licensor's requirements for relevant products under a direct agreement with licensor. This may have a material adverse impact on our business, financial condition and prospects.

Risks Related to Search and Selection of Our Drug Candidates

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

As there are many potential drug candidates to choose from, our research programs to identify product candidates that we may wish to in-license require substantial technical, financial, and human resources. We may focus our efforts and resources on research programs or in-licensed product candidates that ultimately prove to be unsuccessful. Moreover, because we have limited financial and managerial resources, we focus on clinical development programs and in-licensed drug candidates for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential or a greater likelihood of success. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities, which could materially and adversely affect our future growth and prospects.

We may not be able to identify, discover or in-license new drug candidates.

Although a substantial amount of our effort will focus on the continued clinical testing, potential approval, and commercialization of our existing product candidates, the success of our business depends in part upon our ability to identify, license, discover, develop, or commercialize additional product candidates. Our research programs or licensing efforts may fail to identify, discover or in-license new drug candidates for clinical development and commercialization for a number of reasons, including, without limitation, the following:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential drug candidates;
- our potential product candidates may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval; and we may lack sufficient human and financial resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programs, which would limit our ability to diversify and expand our drug portfolio.

Accordingly, there can be no assurance that we will ever be able to identify new drug candidates or additional therapeutic opportunities for our existing drug candidates, which could materially and adversely affect our future growth and prospects.

Risks Related to Our Market Exclusivity

Our success depends upon our and our business partners' ability to obtain and maintain intellectual property protection for our products and technologies. It is difficult and costly to protect our proprietary rights and technology, and we and our business partners may not be able to ensure their protection.

Our success depends in significant part on our current or future licensors', sublicensors', licensees' or collaborators' ability to establish and maintain patents with respect to the product candidates we plan to develop. We strive to obtain rights to proprietary technologies that we believe are important to our business, including by licensing patents intended to cover our products and compositions, their methods of use, and other inventions that are important to our business. In the future, we may apply for our own patents with claims covering our technologies, processes and product candidates when and where we deem it appropriate to do so. There can be no assurance that the claims of any existing or future patent application that we or our partners file will issue as a patent, and if it does issue or has issued will exclude others from making, using or selling our existing or future product candidates or products similar or identical to those product candidates. We also rely on trade secrets to protect aspects of our business, especially where we or our partners do not believe patent protection is appropriate or feasible. However, trade secrets are difficult to protect and even with trade secret protection, companies may be able to independently develop equivalent knowledge, methods and know-how. As a result, in countries where we or our partners have not and do not seek patent protection, third parties may be able to manufacture and sell products we commercialize in the future without our permission, and we may not be able to stop them from doing so, even if our products are protected by trade secrets.

Even with patent applications that issue as patents, issuance is not conclusive as to its scope, validity or enforceability, and the patents we have rights to may be challenged in the courts or patent offices in China, the United States or other countries. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent us from stopping others from using or commercializing similar or identical technology and product candidates, or limit the duration of the patent protection of our technology and product candidates.

With respect to patent rights, we do not know whether any of the pending patent applications will result in the issuance of patents that effectively protect our technologies, processes and product candidates, or if our current or future licensors', licensees' or collaborators' issued patents will effectively prevent others from commercializing competitive technologies, processes and products. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing or in some cases, as in the United States, until they are issued as a patent. Therefore, we cannot be certain that we or our current or future licensors, licensees or collaborators were the first to make or file on the inventions claimed in our owned or licensed patents or pending patent applications. There is also no assurance that all of the potentially relevant prior art relating to the patents and patent applications covering our covering our drug candidates has been identified and disclosed to the relevant patent office, during the prosecution of the related patent application, and such prior art could be used by a third party to challenge the validity or enforceability of such patents, should they issue, or prevent a patent from issuing from a pending patent application. Any of the foregoing could harm our competitive position, business, financial condition, results of operations, and prospects.

Any changes we make to our product candidate or any future product candidates, including formulations that may be required for commercialization or that cause them to have what we view as more advantageous properties, may not be covered by patents and patent applications we have licensed, and we may be required to file new applications and/or seek other forms of protection for any such altered product candidates if any such protection is available. The patent landscape surrounding the technology underlying our current and future product candidates is crowded, and there can be no assurance that we would be able to secure patent protection that would adequately cover an alternative to our current or future product candidates.

In addition, the patent prosecution process is expensive, time-consuming and complicated and we and our current or future licensors, licensees or collaborators may not be able to prepare, file, prosecute and maintain all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or our current or future licensors, licensees or collaborators will fail to identify patentable aspects of inventions before it is too late to obtain patent protection for them.

The patent positions of biotechnology and pharmaceutical companies, including our patent position, involve complex legal and factual questions, which in recent years have been the subject of much litigation, and, therefore, the issuance, scope, validity, enforceability, and commercial value of any patent claims for which we have rights or may obtain rights cannot be predicted with certainty. The patent examination process may require us or our current or future licensors, licensees or collaborators to narrow the scope of the claims of pending and future patent applications, which would limit the scope of patent protection that is obtained, if any. Our current or future licensors', licensees' or collaborators' patent applications cannot be enforced against third parties practicing the technology that is currently claimed in such applications unless and until a patent issues from such applications, and then only to the extent the claims that issue are broad enough to cover the technology being practiced by third parties. For example, our in-licensed patent pertaining to Nefecon covers the formulation (but not the composition of matter), and so the Nefecon formulation patent is limited in scope and could permit third party competitors to circumvent the claims of the Nefecon formulation patent by formulating a product outside the scope of the Nefecon formulation patent claims and commercialize competitive products in the market.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting new product candidates might expire before or shortly after such candidates are commercialized. As a result, the patent portfolio to which we have rights may not provide us with sufficient rights to exclude others from commercializing product candidates similar or identical to ours.

With respect to issued patents in certain jurisdictions, we may be entitled to obtain a patent term extension to extend the patent expiration date provided we meet the applicable requirements for obtaining such patent term extensions. The applicable authorities, including the FDA in the United States and any equivalent regulatory authority in other countries, however, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. In addition, we may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to the expiration of relevant patents or otherwise failing to satisfy applicable requirements. If this occurs, any period during which we have the right to exclusively market our product will be shorter than we would otherwise expect, and our competitors may obtain approval of and launch products earlier than might otherwise be the case.

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

Although we are not currently aware of any pending challenges, we or the licensors or owners of the intellectual property that we are licensed may be subject to claims that former employees, collaborators or other third parties have an interest in the intellectual property we use in our business, whether as an inventor, co-inventor or otherwise. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership of our owned or in-licensed patents and other intellectual property. If we or our partners fail in defending any such claims, in addition to paying monetary damages, we may lose valuable rights to intellectual property. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations, or prospects. Even if we are successful in defending against any such claims, it could result in substantial costs and be a distraction to our management and other employees.

Claims that our drug candidates or the exploitation of our products in the future infringe or violate the patents or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.

We cannot guarantee that our drug candidates or the sale or use of our future products do not and will not in the future infringe third-party patents or other intellectual property rights. There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries. Numerous issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others. Third parties may also allege that we misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research or development, or with respect to the sale, use or manufacture of the compounds we have developed or are developing. Such third parties might resort to litigation against us or our licensors or other parties we have agreed to indemnify.

It is also possible that we or our licensors failed to identify, or may in the future fail to identify, relevant patents or patent applications held by third parties with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our drug candidates. Because patent applications can take many years to issue, there may be pending patent applications that we are not aware of and which may later result in issued patents that our product candidates may infringe. We or our licensors also may incorrectly conclude that third party patents are invalid or that our activities do not infringe, misappropriate or otherwise violate a third party's intellectual property. In addition, third parties may obtain patents in the future and claim that development or commercialization of our drug candidates infringes upon these patents. If any third-party patents were held by a court of competent jurisdiction to cover our drug candidates, their manufacturing process, any molecules formed during the manufacturing process or any final drug itself, the holders of any such patents may be able to prevent us from commercializing such product candidate unless we obtain a license under the applicable patents, or until such patents expire or they are finally determined to be held invalid or unenforceable. Similarly, if any third-party patent is held by a court of competent jurisdiction to cover aspects of our formulations, processes for manufacture or

methods of use, including combination therapy or patient selection methods, the holders of any such patent may be able to block our ability to develop and commercialize the applicable product candidate unless we obtain a license, limit our uses, or until such patent expires or is finally determined to be held invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a drug candidate, or be forced, by court order or otherwise, to cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms.

In the event of a successful claim of infringement or misappropriation against us, we may have to pay substantial damages, including, in the United States, treble damages and attorneys' fees in the case of willful infringement, obtain one or more licenses from third parties, pay royalties or redesign our infringing product candidates, which may be impossible or require substantial time and monetary expenditure. Third parties who bring successful claims against us for infringement of their intellectual property rights may obtain injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our product candidates. Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights, regardless of merit, would involve substantial expense and be time-consuming, regardless of the outcome, and our adversaries may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we can. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Claims that we misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on our business, financial condition, results of operations and prospects.

The patents and patent applications in-licensed to us covering one or more of our drug candidates could be found invalid or unenforceable if challenged in court or before a regulatory authority.

Despite measures we or our partners may take, now or in the future, to obtain and maintain patent and other intellectual property rights with respect to our drug candidates, our intellectual property rights could be challenged or invalidated. For example, if we or one of our licensors were to initiate legal proceedings against a third party to enforce a patent covering any of our drug candidates, the defendant could counterclaim that the patent is invalid or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the applicable foreign intellectual property office, or made a misleading statement or committed other inequitable conduct, during prosecution. The outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If we or one of our licensors were not to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a drug candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our or our partner's ability to enforce such claims against the defendant and others. Any loss of patent protection could have a material adverse impact on one or more of our drug candidates and our business. Any efforts to defend intellectual property rights against such challenges are also likely to be costly, and we or our partners may not have sufficient funds to defend against any such claims or may otherwise decide not to defend them for commercial or other reasons.

Patent litigation may lead to unfavorable publicity which may harm our reputation and cause the market price of our Shares to decline, and any unfavorable outcome from such litigation could limit our research and development activities and/or our ability to commercialize our drug candidates.

During the course of any intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements, or the announcement of the litigation, as negative, the perceived value of our drug candidates, future drugs, programs or intellectual property could be diminished. Accordingly, the market price of our Shares may decline. Such announcements could also harm our reputation or the market for our drug candidates, which could have a material adverse effect on our business. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, in-license needed technology, or enter into strategic partnerships that would help us bring our drug candidates to market.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated if we or our licensors do not comply with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other government fees on a patent and patent application are due to be paid to the patent offices and agencies in several stages over the lifetime of the patent and patent application. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In certain circumstances, we may be required to rely on our partners to take the necessary action to comply with these requirements with respect to patents or other intellectual property they have licensed to us. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance, which could include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors may be able to enter the market and compete with our product candidates, which would have a material adverse effect on our business.

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

In addition to patent rights that are licensed to us, we rely on trade secret and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug candidates. We seek to protect this trade secret and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, our collaborators, sponsored researchers, contract manufacturers, consultants, advisers and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. We cannot guarantee that these parties will not breach such agreements and disclose our confidential and proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult,

expensive and time-consuming, and the outcome is likely to be unpredictable. In addition, if any trade secrets that we rely on were to be lawfully obtained or independently developed by a competitor or other third party, we may have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed. In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, and furthermore, the assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, each of which may result in claims by or against us related to the ownership of such intellectual property. Our partners who have granted rights to trade secrets or other confidential information also may not take all such precautions or may be exposed to other risk that could result in the loss of trade secrets or rights in confidential information that we rely upon.

Furthermore, many of our employees, consultants, and advisers, including our senior management, were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Some of these employees, consultants, and advisers, including members of our senior management, executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we are not certain that our partners take the same precautions, and we may be subject to claims that we, our partners or these individuals have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. We are not aware of any such disclosures, or threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future, litigation may be necessary to defend against such claims. If we fail in defending any such claims, we may lose valuable intellectual property rights or personnel, in addition to possibly paying monetary damages. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.

The degree of protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and they may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make products that are similar to any drug candidates we may develop or utilize similar technology that are not covered by the claims of the patents that we own or license now or in the future;
- we or our licensor might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or exclusively license, which could result in the patents applied for not being issued or being invalidated after issuing;
- pending patent applications may not lead to issued patents;
- we may obtain or license patents for certain compounds many years before we receive NDA approval for drugs containing such compounds, and because patents have a limited life, which may begin to run prior to the commercial sale of the related drugs, the commercial value of our patents may be limited;

- our competitors might conduct research and development activities in countries where we do not have rights to patents and then use the information learned from such activities to develop competitive drugs for commercialization in our major markets;
- we may fail to develop or acquire rights to additional proprietary technologies that are patentable;
- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate;
- third parties may gain unauthorized access to our intellectual property due to potential lapses in our information systems;
- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our drug candidates for one or more indications; and
- we may choose not to file a patent for certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business and future prospects.

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

The life of a patent and the protection it affords are limited. Even if we in-license valid patents covering our drug candidates, we may still be open to competition once the patent life has expired for a drug. In the United States, the Federal Food, Drug and Cosmetic Act, as amended by the law generally referred to as the "Hatch-Waxman Act," includes provisions designed to promote innovation and prevent competing generic products from entering the market for a certain period of time after the U.S. Food and Drug Administration, or the FDA, grants marketing approval for the innovative product in certain circumstances. Unlike the United States, China has no currently effective law or regulation providing for extending patent terms, linking patents to products to delay generic entry, or granting data exclusivity (often referred to as regulatory exclusivity) in certain circumstances. Therefore, a lower-cost generic drug may be able to emerge onto the market much more quickly in China than in the United States if these protections apply to the product in the United States. Chinese regulators have set forth a framework for delaying generic launches through patent linkage and data exclusivity into the Chinese regulatory regime, as well as for establishing a pilot program for patent term extension, but these will require the adoption of specific regulations to be implemented and to date, no such regulation has been adopted. If our licensors are unable to obtain patent term extensions or if such extensions are less than requested for, our competitors may obtain approval of competing products prior to or following our patent expiration, our business, financial condition, results of operations, and prospects could be materially harmed.

Risks Related to Clinical Development of Our Drug Candidates

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

Our business will depend on the successful development, regulatory approval and commercialization of our drug candidates for the treatment of patients with our targeted indications. The majority of our

drug candidates are still in clinical development. We have obtained investigational new drug, or IND, approvals from the National Medical Products Administration, or the NMPA, for the relevant indications of all of our drug candidates except for SPR206. However, we cannot guarantee that we will be able to obtain additional regulatory approvals for our drug candidates in a timely manner, or at all. In addition, other than eravacycline, which has been approved for marketing in Singapore, none of our other drug candidates has been approved for marketing in China or any other jurisdiction where we have licensed the rights. Each of our drug candidates will require additional clinical development, regulatory approvals, development of manufacturing supply and capacity, substantial investment and significant marketing efforts before we generate any revenue from product sales. Further, our licensors or sublicensors are concurrently conducting clinical trials for some of our in-licensed drug candidates in the United States or Europe. We are not in control of such clinical trials or their strategies for obtaining regulatory clearance and our licensors or sublicensors may be driven by strategical goals or concerns that do not align with ours. If our licensors or sublicensors fail to obtain regulatory approval for those drug candidates in the United States or Europe, it would be more difficult for us to obtain regulatory approval from the NMPA in China. We may need to conduct additional clinical trials in China to obtain more clinical data than we have originally planned, which may result in increased costs or affect the timing or outcome of our planned clinical trials, adversely affecting our ability to advance the development of our drug candidates.

The developmental success of our drug candidates will depend on several factors, including but not limited to the successful completion of clinical trials or studies, receipt of regulatory approvals from applicable regulatory authorities for planned clinical trials, future clinical trials or drug registrations, acquisition of adequate manufacturing capabilities, commercialization of our existing product candidates and license renewal and compliance with all relevant safety requirements.

If we do not achieve one or more of these in a timely manner or at all, we could experience significant delays in our ability to obtain approval for our drug candidates, which would materially harm our business and may prevent us from generating sufficient revenues and cash flows to continue our operations. As a result, our financial condition, results of operations and prospects would be materially and adversely harmed.

Our business, financial condition and results of operations may be adversely affected by the recent COVID-19 outbreak.

Our business could be adversely affected by health epidemics. For example, the recent global outbreak of coronavirus, later named COVID-19, has created significant business disruption and will adversely affect our business and operations. The outbreak has resulted in governments implementing numerous measures to contain COVID-19, such as travel bans and restrictions, particularly quarantines, shelter-in-place or total lock-down orders and business limitations and shutdowns. In the United States, the states in which we conduct our operations are subject to shelter-in-place orders. The Chinese government has taken emergency measures, such as travel bans, blockade of certain roads and closure of factories and businesses. These containment measures are subject to change and the respective government authorities may further tighten the restrictions at any time.

The global outbreak of COVID-19 has caused us to modify our business practices including restricting employee travel, developing social distancing plans for our employees and canceling physical participation in meetings, events and conferences, and we may take further actions as may be required by government authorities or as we determine are in the best interests of our employees and business partners. Such modifications may negatively impact productivity, divert resources away from product

development, disrupt our business operations and delay and disrupt our clinical trials and preclinical programs.

In addition, the outbreak of COVID-19 and the resulting government actions may adversely impact our planned and ongoing clinical trials and development. Clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff, and patient enrollment may be delayed due to prioritization of hospital resources toward the COVID-19 pandemic. We maintain offices and clinical trial sites in major cities in China, including Shanghai and Beijing. Consequently, we are susceptible to factors adversely affecting one or more of these locations. For example, clinical activities and patient enrolment for our ongoing clinical trials for etrasimod and eravacycline have been delayed. In response to the epidemic outbreak, we set up an epidemic prevention team, formulated emergency response procedures for epidemic prevention, adopted work from home arrangements, and distributed masks, hand sanitizers and alcohol cotton balls to our employees. We have also been timely updating our employees on the latest anti-epidemic policies from the national and local governments. Similarly, our ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 may be impeded, which would adversely impact our clinical trial operations. The diversion of healthcare resources away from the conduct of clinical trials to focus on pandemic concerns, including the attention of physicians serving as our clinical trial investigators and hospitals serving as our clinical trial sites, or other staff supporting the conduct of our clinical trials may significantly disrupt our research activities. Hospitals have also had reduced patient flow in general during the period. As a result, the expected timeline for data readouts of our clinical trials and certain regulatory filings will likely be negatively impacted, which would adversely affect and delay our ability to obtain regulatory approvals for our product candidates, increase our operating expenses and have a material adverse effect on our financial condition. Furthermore, we could face the interruption of key clinical activities such as trial site data monitoring, which may impact the integrity of clinical data. As a result of disruptions caused by the COVID-19 pandemic, we may require additional capital to continue our research activities, which we may be unable to secure on favorable terms, or at all.

We believe that our global business partners, such as our licensing partners, CROs, contract manufacturing organizations or suppliers, are also experiencing similar or more severe disruptions to their business operations. Any disruption of our business operations and the business operations of our business partners would likely negatively impact the development of our drug candidates, our financial condition and our operating results. In addition, a significant outbreak of contagious diseases could result in a widespread health crisis that could adversely affect the global economy and financial market. Our business activities and results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the global economy in general.

Clinical development involves a lengthy and expensive process with an uncertain outcome and we may encounter unexpected difficulties executing our clinical trials, and results of earlier studies and trials conducted by us or our licensing partners may not be predictive of future trial results.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. We may encounter unexpected difficulties executing our clinical trials and we may have to change our current clinical development plans as a result. These difficulties could be due to any number of reasons including, but not limited to, regulatory delay, complexities of analytical testing technology, shortage of clinical trial material supply, and health epidemics, such as the recent COVID-19 pandemic. For a detailed discussion about the impact from COVID-19 on our clinical development, see "—Our business, financial condition and results of operations may be adversely affected by the recent COVID-19 outbreak." Failure can occur at any time during the clinical trial

process. The results of pre-clinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials. Drug candidates during later stages of clinical trials may fail to show the desired results in safety and efficacy despite having progressed through pre-clinical studies and initial clinical trials and despite the level of scientific rigor in the study, design and execution. There can be significant variability in safety and efficacy results between different trials of the same drug candidate due to numerous factors, such as differences in individual patient conditions, including ethnical and genetic differences, and other compounding factors, such as other medications or pre-existing medical conditions.

In the case of any trials we conduct, results may differ from earlier trials due to, among other things, the larger number of clinical trial sites, additional countries and languages involved in such trials, our conducting the trials instead of the licensors, different clinical trial standards required in China, different patient population, and different standard of care and pretreatment of patients before enrolling in such trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to a lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. We cannot guarantee that our future clinical trial results will be favorable for drug candidates we have in-licensed.

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

We may not be able to initiate or continue clinical trials for our drug candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the NMPA or similar regulatory authorities, or if there are delays in the enrollment of eligible patients as a result of the competitive clinical enrollment environment. The inability to enroll a sufficient number of patients who meet the applicable criteria for our clinical trials would result in significant delays.

Some of our competitors have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in the clinical trials of our competitors' drug candidates, which may further delay our clinical trial enrollments. Patient enrollment for our clinical trials may also be affected by other factors, such as:

- severity of the disease under investigation;
- total size and nature of the relevant patient population;
- design and eligibility criteria for the clinical trial in question;
- perceived risks and benefits of the drug candidate under study;
- our resources to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- our investigators' or clinical trial sites' efforts to screen and recruit eligible patients;
- proximity and availability of clinical trial sites for prospective patients; and
- health epidemics.

The outbreak of health epidemics and the resulting government actions may adversely impact our planned and ongoing clinical trials. Clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff, and patient enrollment may be delayed due to the prioritization of hospital resources towards combating the COVID-19 pandemic. For further details, see "—Our

business, financial condition and results of operations may be adversely affected by the recent COVID-19 outbreak."

Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

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

Before obtaining regulatory approval for the sale of our drug candidates, we may be required to conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates in accordance with our current clinical development plans, including, without limitation:

- regulators, institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may be unable to reach agreement on acceptable terms with prospective contract research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- we may encounter manufacturing issues, including problems with the quality of supplies we source, compliance with good manufacturing practice, or GMP, and availability of sufficient quantities of a drug candidate from third parties for use in a clinical trial;
- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide to conduct additional clinical trials or abandon drug development programs, or regulators may require us to do so;
- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or patients may drop out at a higher rate than we anticipate;
- our third-party contractors, including clinical investigators, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we might have to suspend or terminate clinical trials of our drug candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks;
- regulators, IRBs or ethics committees may require that we or our investigators suspend or terminate clinical research or not rely on the results of clinical research for various reasons, including non-compliance with regulatory requirements;
- the cost of clinical trials of our drug candidates may be greater than we anticipate; and the supply or quality of our drug candidates, companion diagnostics or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our

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

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

We may not be able to effectively develop alternative clinical plans if a product fails one clinical trial due to the insufficient internal research and development capacity.

During clinical trials, we may experience numerous unexpected events that could cause one or more of our drug candidates to fail to demonstrate safety and efficacy in humans in accordance with our current clinical development plans, including but not limited to: clinical trials of our drug candidates may produce negative or inconclusive results, and additional clinical trials or abandon drug development programs may be required; we might have to terminate clinical trials of our drug candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks; and the cost of clinical trials of our drug candidates may be greater than we anticipate. If any of these events occurs and a product fails a clinical trial, we cannot guarantee you that we would be able to effectively develop alternative clinical plans in time, or at all, due to the insufficient internal research and development capacity of our Company. This could impair our ability to obtain regulatory approval or commercialize our drug candidates and may harm our business and results of operations.

The clinical data and information that we gather from clinical programs could be inaccurate or incomplete, which could harm our business, reputation, financial condition and results of operations.

We collect, aggregate, process, and analyze data and information from our clinical programs. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our drug candidates may be materially harmed and our business, prospects and reputation may suffer.

We must obtain regulatory approvals for the development and commercialization of our drug candidates, for which we manage and submit data to governmental entities. These processes and submissions are governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data, in which case we may be exposed to liability to a customer, court or government agency that concludes that our storage, handling, submission, delivery, or display of health information or other data was wrongful or erroneous. Although we maintain insurance coverage, this coverage may prove to be inadequate or could cease to be available to us on acceptable terms, if at all. Even unsuccessful claims could result in substantial costs and diversion of management time, attention, and resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

In addition, we rely on third-party CROs to monitor and manage data for some of our clinical programs, but we only control certain aspects of their activities. If any of our CROs does not perform to our standards in terms of data accuracy or completeness, data from those pre-clinical and clinical trials may be compromised as a result, and our reliance on the CROs does not relieve us of our regulatory responsibilities. For a detailed discussion, see "—Risks Related to Our Reliance on Our Business Partners—As we rely on third parties to conduct clinical trials for us, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed" below.

Risks Related to Obtaining Regulatory Approval for Our Drug Candidates

All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated.

All jurisdictions in which we intend to conduct our pharmaceutical-industry activities regulate these activities in great depth and detail. We intend to focus our activities on Greater China, and to a lesser degree on South Korea and various Southeast Asian countries. These jurisdictions strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. However, there are differences in the regulatory regimes that make for a more complex and costly regulatory compliance burden for a company like ours that plans to operate in these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process and approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include refusal to approve pending applications, withdrawal of an approval, revocation of a license, a hold on clinical trials, voluntary or mandatory recalls of products, the seizure of products, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement of profits, or other civil or criminal penalties. Failure to comply with these regulations could have a material adverse effect on our business.

The regulatory approval processes of the NMPA and other comparable regulatory authorities are uncertain and time-consuming and may evolve over time, and if we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

The time required to obtain the approval of the NMPA and other comparable regulatory authorities is inherently uncertain and depends on numerous factors, including the substantial discretion of the regulatory authorities. Generally, such approvals take many years to obtain following the commencement of pre-clinical studies and clinical trials, although they are typically provided within 12 to 18 months after marketing authorization applications are filed. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a drug candidate's clinical development and may vary among jurisdictions. We cannot guarantee that we will be able to obtain regulatory approvals for our existing drug candidates or any drug candidates we may discover, in-license or acquire and seek to develop in the future.

Our drug candidates could fail to receive the regulatory approval of the NMPA or a comparable regulatory authority for many reasons, among them:

- disagreement with the design or implementation of our clinical trials;

- failure to demonstrate that a drug candidate is safe and effective for its proposed indication;
- failure of our clinical trial results to meet the level of statistical significance required for approval;
- failure of our clinical trial process to pass relevant good clinical practice, or GCP, inspections;
- failure to demonstrate that a drug candidate's clinical and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from pre-clinical studies or clinical trials;
- insufficient data collected from the clinical trials of our drug candidates to support the submission and filing of a new drug application, or NDA, or other submissions or to obtain regulatory approval;
- failure of our drug candidates to pass current Good Manufacturing Practice, or GMP, inspections during the regulatory review process or across the production cycle of our drug;
- failure of our clinical sites to pass audits carried by out by the NMPA or comparable regulatory authorities, resulting in a potential invalidation of our research data;
- findings by the NMPA or comparable regulatory authorities of deficiencies related to our manufacturing processes or the facilities of third-party manufacturers with whom we contract for clinical and commercial supplies;
- changes in approval policies or regulations that render our pre-clinical and clinical data insufficient for approval; and
- failure of our clinical trial process to keep up with any scientific or technological advancements required by approval policies or regulations.

The NMPA or a comparable regulatory authority may require more information, including additional pre-clinical, clinical or CMC data, to support approval, which may delay or prevent approval and our commercialization plans. Even if we were to obtain approval, regulatory authorities may approve any of our drug candidates for fewer or more limited indications than we request, grant approval contingent on the performance of costly post-marketing clinical trials, or approve a drug candidate with an indication that is not desirable for the successful commercialization of that drug candidate. Any of the foregoing scenarios could materially harm the commercial prospects of our drug candidates.

Our drug candidates may cause undesirable adverse events or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval.

Undesirable adverse events caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and may result in a more restrictive label, a delay or denial of regulatory approval by the NMPA or other comparable regulatory authorities, or a significant change in our clinical protocol or even our development plan. Results of our trials could reveal a high and unacceptable severity or prevalence of certain adverse events. In such an event, our trials could be suspended or terminated and the NMPA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications. Adverse events related to our drug candidates may affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential liability claims. Any of these occurrences may significantly harm our reputation, business, financial condition and prospects.

Additionally, if we or others identify undesirable side effects caused by any of our drug candidates after they receive regulatory approval, this may lead to potentially significant negative consequences, such as:

- we may suspend marketing of the drug candidate;
- regulatory authorities may withdraw their approvals of or revoke the licenses for the drug candidate;
- regulatory authorities may require additional warnings on the label;
- a regulatory authority may require that we establish a risk evaluation and mitigation strategy, restrict distribution of our drugs or otherwise impose burdensome implementation requirements on us;
- we may be required to conduct specific post-marketing studies; and
- we could be subject to litigation and held liable for harm caused to subjects or patients; and our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of any particular drug candidate that is approved and could significantly harm our business, results of operations and prospects. Further, combination therapy, such as using our drug candidates together with third-party agents, may involve unique adverse events that could be exacerbated compared with adverse events from monotherapies.

Results of our trials could reveal a high and unacceptable severity or prevalence of adverse events. These types of adverse events could be caused by our drug candidates and could cause us or regulatory authorities to interrupt, delay or halt clinical trials and may result in a more restrictive indication or the delay or denial of regulatory approval by the NMPA or other comparable regulatory authority.

If we are unable to obtain NMPA approval for our drug candidates to be eligible for an expedited registration pathway as innovative drug candidates, the time and cost we incur to obtain regulatory approvals may increase.

The NMPA has mechanisms in place for expedited review and approval for drug candidates that are innovative drug applications, provided such drug or drug candidate has a new and clearly defined structure, pharmacological property and apparent clinical value and has not been marketed anywhere in the world. However, there is no assurance that an innovative drug designation will be granted by the NMPA for any of our drug candidates. Moreover, an innovative drug designation, which is typically granted only towards the end of a drug's developmental stage, does not increase the likelihood that our drug candidates will receive regulatory approval on a fast-track basis, or at all.

Further, there have been recent regulatory initiatives in China regarding clinical trial approvals, the evaluation and approval of certain drugs and medical devices and the simplification and acceleration of the clinical trial process. For further details, see "Regulations—Regulations on Pharmaceutical Product Development, Approval and Registration in the PRC."

The regulatory environment in China has substantially changed in recent years and may change further in the future in unpredictable ways. Any future policies, or changes to current policies, that the NMPA approves might require us to change our planned clinical study design or otherwise spend additional resources and effort to obtain approval of our drug candidates. In addition, policy changes may contain significant limitations related to use restrictions for certain age groups, warnings, precautions or

contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for our drug candidates in the PRC, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development of our drug candidates or any other drug candidate that we may in-license, acquire or develop in the future.

Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses and potentially penalties for non-compliance.

If the NMPA or a comparable regulatory authority approves any of our drug candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the drug will be subject to extensive and ongoing regulatory requirements on pharmacovigilance. These requirements include submissions of safety and other post-marketing information and reports, registration, random quality control testing, adherence to any chemistry, manufacturing, and controls, or CMC, specifications, continued compliance with current GMPs, and GCPs and potential post-approval studies for the purposes of license renewal.

Any regulatory approvals that we receive for our drug candidates may also be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing studies.

In addition, once a drug is approved by the NMPA or a comparable regulatory authority for marketing, it is possible that there could be a subsequent discovery of previously unknown problems with the drug, including problems with third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements. If any of the foregoing occurs with respect to our drug products, it may result in, among other things:

- restrictions on the marketing or manufacturing of the drug, withdrawal of the drug from the market, or voluntary or mandatory drug recalls;
- fines, warning letters or holds on our clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us;
- suspension or revocation of existing drug license approvals;
- refusal by the NMPA or comparable regulatory authorities to accept any of our other IND approvals or Biologics License Applications (BLAs);
- drug seizure or detention, or refusal to permit the import or export of drugs; and
- injunctions or the imposition of civil, administrative or criminal penalties.

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. Moreover, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are not able to maintain regulatory compliance, we may lose the regulatory approvals that we have already obtained and may not achieve or sustain profitability, which in turn could significantly harm our business, financial condition and prospects.

Risks Related to Commercialization of Our Drug Candidates

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

Even if our drug candidates receive regulatory approval, they may nonetheless fail to gain sufficient market acceptance by physicians and patients and others in the medical community. Physicians and patients may prefer other drugs or drug candidates to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant revenue from sales of our drugs or drug candidates and may not become profitable.

The degree of market acceptance of our drug candidates, if and when they are approved for commercial sale, will depend on a number of factors, such as:

- product labeling or package insert requirements of the NMPA or other comparable regulatory authorities, including the clinical indications for which our drug candidates are approved and limitations or warnings contained in the labeling;
- physicians, hospitals and patients considering our drug candidates to be safe and effective;
- whether our drug candidates have achieved first-in-class or best-in-class status and the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- timing of the launch of our drug candidates as well as competitive drugs;
- cost of treatment in relation to alternative treatments;
- availability of adequate coverage and reimbursement under the NRDL and provincial reimbursement drug lists in the PRC, or from third-party payors and government authorities in other jurisdictions;
- willingness of patients to pay any out-of-pocket expenses in the absence of coverage and reimbursement by third-party payors and government authorities;
- relative convenience and ease of administration, including as compared with alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

If our drug candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals or others in the medical community, we will not be able to generate significant revenue or become profitable. Even if our drugs achieve market acceptance, we may not be able to maintain such market acceptance over time if new products or technologies are introduced which are more favorably received than our drugs, are more cost effective or render our drugs obsolete.

We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. We face competition with respect to our current drug candidates, and we will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future. Our competitors include major pharmaceutical companies, specialty

pharmaceutical companies and biotechnology companies worldwide. We are developing our drug candidates in competition with a number of large biopharmaceutical companies that currently market and sell drugs or are pursuing the development of drugs for the same target indications as ours. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. For details, see "Business—Our Product Pipeline." Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Many of our competitors have substantially greater financial, technical, and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. As a result, these companies may obtain regulatory approval from the NMPA or other comparable regulatory authorities more rapidly than we are able to and may be more effective in selling and marketing their products as well. For example, recently the NMPA has accelerated market approval of drugs for diseases with high unmet medical need. In particular, the NMPA may review and approve drugs that have gained regulatory market approval in the United States, the European Union or Japan within the previous ten years without requiring further clinical trials in China. This may lead to increased competition from drugs which have already obtained approval in other jurisdictions.

Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring, or licensing products that are more effective or less costly than any product candidate that we may develop, or achieve earlier patent protection, regulatory approval, product commercialization, and market penetration than we do. Additionally, technologies developed by our competitors may render our potential product candidates uneconomical or obsolete, and we may not be successful in marketing our product candidates against competitors.

We have no experience in launching and marketing drug candidates. If we are unable to effectively build and manage our sales network or benefit from third-party collaborators' sales network, we may be unable to generate any revenue.

Even though our senior management members are experienced in launching and marketing drug candidates, our Company currently has no sales, marketing or commercial product distribution capabilities and has no experience in marketing drugs. We have begun to develop an in-house marketing organization and sales force, which will require significant capital expenditures, management resources and time. We will have to compete with other biopharmaceutical companies to recruit, hire, train and retain marketing and sales personnel.

In addition to establishing internal sales, marketing and commercial distribution capabilities, we may pursue collaborative arrangements regarding the sales and marketing of some of our drugs. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or, if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend on the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our drug candidates ourselves. We will also face

competition in our search for third parties to assist us with the sales and marketing efforts of our drug candidates.

There can be no assurance that we will be able to develop in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party collaborators to successfully commercialize any product, especially given the limited experience generally in marketing recently approved innovative drugs in China. As a result, we may not be able to generate product sales revenue.

Even if we are able to commercialize any approved drug candidates, reimbursement may be limited or not immediately available in China or other countries for our drug candidates, and we may be subject to unfavorable pricing regulations, which could diminish our sales or affect our profitability.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or licensing approval is granted. In some non-U.S. markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a drug in a particular country, but then be subject to price regulations that delay our commercial launch of the drug and reduce the revenues we are able to generate from the sale of the drug in that country. Pricing limitations may hinder our ability to recoup our investment in one or more drug candidates, even if our drug candidates obtain regulatory approval. For example, according to a statement issued by the PRC State Council in August 2015, the Opinions on Reforming the Review and Approval Process for Pharmaceutical Products and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》), enterprises applying for new drug approval will be required to undertake that the selling price for the new drug in the PRC market will not be higher than the comparable market price of the product in its country of origin or in the PRC's neighboring markets, as applicable.

Our ability to commercialize any drugs successfully also will depend in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the global healthcare industry is cost containment. Government authorities and these third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any drug that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any drug for which we obtain regulatory approval. Obtaining reimbursement for our drugs may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidate that we successfully develop.

There may be significant delays in obtaining reimbursement for approved drug candidates, and coverage may be more limited than the approved indications. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment

rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any weakening of laws that restrict imports of drugs from countries where they may be sold at lower prices than in the markets we address. Inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any future approved drug candidates and any new drugs that we develop could have a material adverse effect on our business, our operating results, and our overall financial condition.

As we may out-license some of our commercialization rights and engage in other forms of collaboration worldwide, we may be exposed to specific risks of conducting our business and operations in international markets.

Non-PRC markets form an important component of our growth strategy, as we may plan to out-license some of our commercialization rights to third parties outside the PRC and conduct certain of our clinical trials abroad. If we fail to obtain applicable licenses to conduct those clinical trials or fail to enter into strategic collaboration arrangements or other license agreements with third parties in these markets or fail to enter into such agreements on favorable terms, or if these arrangements turn out unsuccessful, our revenue-generating growth potential may be adversely affected. Efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution efforts may increase our expenses or divert our management's attention from the acquisition or development of drug candidates.

Moreover, international business relationships subject us to additional risks that may materially and adversely affect our ability to attain or sustain profitable operations, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- differing regulatory requirements for drug approvals and marketing internationally;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potentially reduced protection for intellectual property rights;
- potential third-party patent rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation or political instability;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable non-PRC tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incidental to doing business in another country;
- workforce uncertainty and labor unrest;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from an international market with low or lower prices rather than buying them locally;
- failure of our employees and contracted third parties to comply with Office of Foreign Assets Control rules and regulations and the Foreign Corrupt Practices Act of the United States, and other applicable rules and regulations;

- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially and adversely affect our ability to attain or sustain revenue from international markets.

If safety, efficacy, or other issues arise with any medical product that is used in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We plan to develop certain of our drug candidates for use as combination therapies. If the NMPA or another comparable regulatory agency revokes its approval of another therapeutic we use in combination with our drug candidates, we will not be able to market our drug candidates in combination with such revoked therapeutic. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our drug candidates in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any component of our combination drug candidates, we may not be able to complete clinical development of our drug candidates on our current timeline, or at all.

Lack of third-party combination drugs may materially and adversely affect demand for our drugs.

Our drug candidates may be administered in combination with drugs of other pharmaceutical companies as one regimen. In addition, we may use such third-party drugs in our development and clinical trials as controls for our studies. As a result, both the results of our clinical trials and the sales of our drugs may be affected by the availability of these third-party drugs. We generally would have no influence over the availability and pricing of such drugs. If other pharmaceutical companies discontinue these combination drugs, or if these drugs become prohibitively expensive, regimens that use these combination drugs may no longer be prescribed, and we may not be able to introduce or find an alternative drug to be used in combination with our drugs at all or in a timely manner and on a cost-effective basis. As a result, demand for our drugs may be lowered, which would in turn materially and adversely affect our business and results of operations.

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

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

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or be fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases are very similar in appearance to the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products could quickly erode the demand for our future approved drug candidates.

In addition, counterfeit pharmaceutical products are unlikely to meet our or our collaborators' rigorous manufacturing and testing standards. A patient who receives a counterfeit pharmaceutical product may be at risk for a number of dangerous health consequences. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our or our collaborators' brand name(s). In addition, thefts of improperly stored inventory at warehouses or plants or while in transit which are sold through unauthorized channels could adversely impact patient safety, our reputation and our business.

Risks Related to Our Trademarks and Trade Names

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered and unregistered trademarks or trade names are valuable assets and may be challenged, infringed, circumvented or declared generic or determined to infringe third party's marks. We may not be able to protect our rights to these trademarks and trade names, which may be necessary to build name recognition among potential collaborators or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. We may license our trademarks and trade names to third parties, such as distributors. Though these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Our efforts to enforce or protect our proprietary rights related to trademarks, trade names, trade secrets, domain names, copyrights or other intellectual property may be ineffective and substantial costs and diversion of resources and could adversely affect our competitive position, business, financial condition, results of operations and prospects.

RISKS RELATED TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred net operating losses in each period since our inception and anticipate that we will continue to incur net operating losses for the foreseeable future.

Investment in the development of biopharmaceutical products is highly speculative as it entails substantial upfront capital expenditures and significant risks that a drug candidate may fail to demonstrate sufficient efficacy or safety to gain regulatory or marketing approvals or become

commercially viable. To date, we have financed our activities primarily through private placements. We have not generated any revenue from commercial product sales, and continue to incur significant upfront licensing fees, milestone and other fees under existing in-license agreements and research and development expenses and other expenses related to our ongoing operations. As a result, we are not profitable currently and have incurred net operating losses in each period since our inception. For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, our net operating loss was RMB127.2 million and RMB176.1 million, RMB30.3 million and RMB151.0 million, respectively. Substantially all of our net losses have resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

We expect to continue to incur net losses for the foreseeable future, and that these net losses will increase as we carry out certain activities relating to our development, such as:

- acquiring or in-licensing other intellectual property, drug candidates and technologies and payment of milestones and other fees under existing in-license agreements;
- conducting clinical trials of our drug candidates;
- manufacturing clinical trial materials and commercial supplies through contract manufacturing organizations in and out of China;
- establishing our own manufacturing facilities in China;
- seeking regulatory approvals for our drug candidates;
- commercializing those of our drug candidates for which we have obtained marketing approval;
- hiring additional clinical, operational, financial, quality control and scientific personnel;
- establishing a commercialization team for any future products that have obtained regulatory approval;
- obtaining, maintaining, expanding and protecting our intellectual property portfolio; and enforcing and defending any intellectual property–related claims.

We expect that it could take multiple years to develop a new drug from the time we license it to the time it becomes available for treating patients in China and other territories where we have licensed the rights to it. During the process, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend partially on the rate of the future growth of our expenses, our ability to generate revenues and the timing and amount of milestone payments and other payments that we receive from or pay to third parties. If any of our drug candidates fails during clinical trials or does not gain regulatory approval, or, even if approved, fails to achieve market acceptance, our business may not become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods thereafter. Our prior losses have had, and our expected future losses will have, an adverse effect on our working capital and shareholders' equity.

We have recorded net cash outflow from operating activities since our inception. We will need to obtain additional financing to fund our drug development programs and commercialization efforts, which may not be available on acceptable terms, or at all. If we are unable to raise capital on acceptable terms when needed, we could be forced to delay, reduce or terminate such efforts.

We recently successfully completed a Series C financing of US$310 million (RMB2,102.6 million). As of the Latest Practicable Date, we had raised an aggregate of approximately US$524 million

(RMB3,554.0 million) (including investments in Everest II) in equity financing. Since our inception, our operations have consumed substantial amounts of cash. Our net cash used in operating and investing activities was RMB513.3 million, RMB136.0 million, RMB76.9 million and RMB135.5 million for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively. For the periods from 24 August 2018 (date of incorporation) to 31 December 2018 and from 1 January 2019 to 25 November 2019 (date of the Merger), net cash used in Everest II's operating and investing activities were RMB69.4 million and RMB824.4 million, respectively. As of 31 March 2020, we had cash and cash equivalents of RMB73.5 million.

We believe our current cash and cash equivalents, investments, and the estimated net proceeds from the Global Offering will be sufficient to meet 125% of our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to meet our continued operating cash requirements in the future. We expect our expenses to increase in connection with our ongoing activities, particularly as we advance the clinical development of our drug candidates, initiate additional clinical trials of these and other future drug candidates, and seek regulatory approval for them.

In addition, if we obtain regulatory approvals for any of our drug candidates, we expect to incur significant commercialization expenses relating to product manufacturing, marketing, sales and distribution and post-approval commitments to continue monitoring the efficacy and safety data of those products we may have on the market. In particular, costs that may be required for the manufacture of any drug candidate that has received regulatory approval may be substantial as we mainly rely on third party contract manufacturing organizations and/or our partners to manufacture such drug candidates. We may also incur expenses as we create additional infrastructure to support our operations as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations through public or private equity offerings, debt financing, collaborations or licensing arrangements or other sources. If we are unable to raise capital when needed or on acceptable terms, we could be forced to delay, limit, reduce or terminate our research and development programs or any future commercialization efforts.

We recorded net current liabilities as of 31 December 2019 and 31 March 2020 and net liabilities throughout the Track Record Period.

We recorded net current liabilities of RMB372.7 million and RMB498.9 million as of 31 December 2019 and 31 March 2020, respectively, and net liabilities of RMB947.6 million, RMB861.1 million and RMB549.9 million as of 31 December 2018 and 2019 and 31 March 2020, respectively. The major components of our current liabilities were financial instruments issued to investors and trade and other payables. The major component of our non-current liabilities was financial instruments issued to investors. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in financial assets at financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVTPL").

In early 2018, we entered into a collaboration agreement with I-Mab, which was mutually terminated in November 2019. In consideration of such termination, we were issued 6,078,571 ordinary shares of I-Mab in January 2020 for a total deemed consideration of US$37.0 million. We recorded a right to

receive equity investments in the amount of US$37 million (RMB258.1 million) and recognized other income for the recovery of time cost of US$3.3 million (RMB23 million) upon entry into the termination arrangement with I-Mab. After the issuance of I-Mab shares to us in January 2020, we started measuring our equity interest in I-Mab at fair value and have elected to present fair value gains and losses on equity investment in other comprehensive loss. As of 31 March 2020, based on quoted market share price of I-Mab of US$13.00 per ADS, the fair value of this investment was US$34.4 million (RMB243.4 million). For the three months ended 31 March 2020, we recorded fair value loss in financial assets at FVOCI of RMB18.4 million in other comprehensive loss.

Everest II purchased 141,553 Series B convertible preferred shares issued by Venatorx in October 2018 as part of the overall arrangement under the licensing of taniborbactam. The equity interest in Venatorx was transferred to us as a result of the Merger. The equity interest in Venatorx is classified as financial assets at FVTPL. Based on our assessment, there are no changes to the fair value of the investment in Venatorx as of 31 December 2019 and 31 March 2020.

See "Financial Information—Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Investments" for more details. The fair value of financial assets are subject to many factors, including market conditions, performance of I-Mab and Venatorx and any fluctuations are uncertain. We cannot assure you that we will not incur any fair value losses in the future. If we incur fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We are a biopharmaceutical company with a limited operating history. Our operations to date have focused on organizing and staffing our operations, creating business plans, raising capital, establishing our intellectual property portfolio and conducting clinical trials of our drug candidates. We have not yet demonstrated an ability to successfully manufacture, obtain marketing approvals for or commercialize our drug candidates. We have no products approved for commercial sale and have not generated any revenue from product sales. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history.

We are focused on the development and commercialization of innovative drugs in the fields of oncology, immunology, cardio-renal disease and infectious disease. Our limited operating history, particularly in light of the rapidly evolving drug research and development industry in which we operate and the changing environments we encounter, may make it difficult to evaluate our current business and prospects for future performance. As a result, any assessment of our future performance or viability is subject to significant uncertainty. We will encounter risks and difficulties frequently experienced by early-stage companies in rapidly evolving fields as we seek to transition to a company capable of supporting commercial activities. If we do not address these risks and difficulties successfully, our business will suffer.

We have entered into license agreements for each of our drug candidates, and we may be contractually obligated to make significant payments even for drug candidates which are never approved for sale or which we find that we are unable to commercialize successfully.

We do not currently engage in the research or discovery of new drug candidates ourselves. Instead, we focus on developing drug candidates that have been discovered by others. As a consequence of this business model, we rely on license agreements to secure the rights to all eight of the drug candidates

that we are developing. Among the key terms of these license agreements are the payments that we are required to make to the licensors. These may include an upfront payment at the time when the license agreement is signed, milestone payments for the achievement of specified clinical, regulatory and commercial milestones, and royalties calculated as a specified percentage of the annual net sales of the products covered by the license. Royalties are often structured so that the percentage increases in tiers as net sales increase. As of the Latest Practicable Date, we had paid an aggregate of RMB1,490 million in upfront and milestone payments for our eight existing drug candidates.

When we negotiate our license agreements, we must estimate the probability of success for the drug's development and the potential size of the eventual market for the drug product. We may have to make significant upfront payments to secure the rights to attractive drug candidates, and there is no guarantee that we will ever be able to recoup those expenses. Milestone or other non-royalty payments also become due on a drug candidate before we can obtain regulatory approval for it or commercialize it, and we may not have sufficient funds available to make these payments when they come due. If and when we obtain regulatory approval to market a drug, our profits from any sales will be reduced by the royalties that we agreed to pay under the license agreement. If we make significant payments under our license agreements for drug candidates that never reach market, or if we misjudge the potential size of the market for our drug candidates and overpay for the rights that we license, our financial condition and financial performance may be materially and adversely affected.

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

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the value of your investment in our Shares will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could give rise to increased fixed payment obligations and also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, the issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline.

In the event we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party our rights to technologies or drug candidates on unfavorable terms, which we would have otherwise sought to develop or commercialize ourselves or reserve for future potential arrangements when we are more likely to achieve more favorable terms.

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

During the Track Record Period, we issued convertible redeemable preferred shares and warrants, all of which are designated as financial liabilities at fair value through profit or loss. The assessment of fair value of our convertible redeemable preferred shares and warrants requires the use of unobservable inputs including discount rate, discount of lack of marketability and expected volatility. Changes of these unobservable inputs will change the fair value of our convertible redeemable preferred shares and

warrants. For the years ended 31 December 2018 and 2019, we realized net fair value loss in financial instruments issued to investors at fair value through profit or loss of RMB863.2 million and RMB36.5 million, respectively. For the three months ended 31 March 2019 and 2020, we realized net fair value gain in financial instruments issued to investors at fair value through profit or loss of RMB129.8 million and RMB455.5 million, respectively. We also had net liabilities as a result of significant fair value change of financial instruments issued to investors in the years ended 2018 and 2019 and the three months ended 31 March 2020. We expect continued fluctuation in the fair value of the financial instruments issued to investors after 31 March 2020 to the Listing Date. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the Listing, which will result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Intangible assets represent a significant portion of the assets on our consolidated balance sheet. If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

As of 31 March 2020, we had intangible assets of RMB1,739.0 million. Intangible assets represented a significant portion of the assets on our consolidated balance sheet as of 31 March 2020. The impairment assessment of intangible assets are based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to make a significant provision for our intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of intangible assets could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to intangible assets, see note 15 to the Accountant's Report in Appendix I to this document. For a detailed discussion on the impairment testing, sensitivity and headroom on how changes in the valuation parameters will affect the impairment assessment for the cash-generating unit to which the intangible assets are related, see "Financial Information—Critical Accounting Policies and Estimates—Significant Accounting Estimates—Impairment Testing of Intangible Assets Not Ready for Use."

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

Changing PRC regulatory framework on overseas approved products may have negative impact on companies adopt in-licensing business model.

The drug market is heavily regulated in China. Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may increase the difficulty for us to satisfy such requirements, may have a material adverse impact on our business, financial condition, results of operations and prospects. In particular, under current Chinese regulatory requirements, to introduce a drug approved overseas to the China market, the drug must repeat a registrational study in China that is either a fully powered study or a bridging study. By engaging us, foreign pharmaceutical or biopharmaceutical companies will be able to conduct a parallel registrational study in China or a global study that includes China, thereby substantially reducing the time and cost required to introduce drugs to the China market. If China ever streamlines, expedites or simplifies such regulatory procedures, foreign pharmaceutical or biopharmaceutical companies' demand for collaboration partnerships with local partners with an in-licensing business model like us may

decrease, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to attract and retain senior management and retain qualified employees.

We are highly dependent on the expertise of our senior management as well as our other key employees and advisors. Although we have entered into employment letter agreements with all of our executive officers, each of them may terminate their employment with us at any time with 30 days' prior written notice. In addition, we do not have key-man insurance for any of our executive officers or other key personnel.

Recruiting and retaining qualified management, scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. Loss of the services of our executive officers or other key employees or advisors could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Further, replacing executive officers and key employees or advisors may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize drugs. Competition to hire from this limited pool is intense, especially given the research and development climate for innovative medicines in China, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous biopharmaceutical companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, our management will be required to devote significant time to new compliance initiatives after we become a public company, which may require us to recruit more management personnel.

If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute the value of your investment in our Shares, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

We may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic partnership may entail numerous risks, such as:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- dilution to our existing shareholders from our issuance of additional equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the assimilation of operations, corporate culture and personnel of the acquired business;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and its existing drugs or drug candidates and regulatory approvals;

- inability to generate revenue from acquired technology or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs; and
- changes in accounting principles relating to recognition and measurement of our investments that may have a significant impact on our financial results.

In addition, if we undertake acquisitions, we may incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

We will need to increase the size and capabilities of our organization, and we may experience difficulties in managing our growth.

We expect to experience significant growth in the number of our employees and consultants and the scope of our operations, particularly in the areas of clinical development, regulatory affairs and business development. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations, and have a material adverse effect on our business.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under PRC laws and regulations as well as insurance based on our assessment of our operational needs and industry practice. We also maintain clinical trial insurance in all the regions where we conduct clinical trials. In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as business interruption insurance or key-man insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Grant options under the Share Schemes may affect our Company's result of operation and dilute Shareholders' percentage of ownership.

Our Company has granted and will grant share options under the Share Schemes for incentivization purposes. Any exercise of the options under the Share Schemes in the future and issue of Shares thereunder would result in the reduction in the shareholding percentage of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share due to the increase in the number of Shares outstanding after such issue. Under IFRS, the costs of the share options to be granted under the Share Schemes will be recognized as expense in our consolidated statements of profit or loss and other comprehensive income over the vesting periods by reference to the fair value on the date on which the options are granted under the Share Schemes. As a result, our profitability and financial results may be adversely affected.

Our employees, management, Directors, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and may be subject to legal, regulatory and administrative proceedings.

We are exposed to the risk of fraud, misconduct or other illegal activities by our employees, management, Directors, independent contractors, consultants, commercial partners and vendors. Misconduct by these parties could include intentional, reckless and negligent conduct that fails to: (i) comply with the laws of the NMPA and other comparable regulatory authorities; (ii) provide true, complete and accurate information to the NMPA and other comparable regulatory authorities; (iii) comply with manufacturing standards that we have established in the future; (iv) comply with laws in the PRC, the United States and similar fraudulent misconduct laws in other applicable jurisdictions; or (v) report financial information or data accurately or to disclose unauthorized activities to us. If we obtain approval of any of our drug candidates and begin commercializing those drugs in the PRC or other applicable jurisdictions, our potential exposure under the laws of such jurisdictions will increase significantly and our costs associated with compliance with such laws are also likely to increase. These laws may impact, among other things, our current activities with principal investigators and research patients, as well as future sales, marketing and education programs. In particular, the promotion, sales and marketing of healthcare items and services, as well as certain business arrangements in the healthcare industry, are subject to extensive laws designed to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, structuring and commissions, certain customer incentive programs and other business arrangements generally. Activities subject to these laws also involve the improper use of information obtained in the course of patient recruitment for clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions. In addition, our employees, management, Directors, independent contractors, commercial partners and vendors may be subject to legal, regulatory and administrative proceedings. For example, an independent non-executive Director, Mr. Yifan Li, was added as a co-defendant in a securities class action initiated in December 2017 against Qudian Inc. (NYSE: QD), alleging that its registration statement contained false and misleading statements and material omission of material facts. The plaintiffs' second amended complaint was substantially dismissed for failure to state a claim under the federal securities laws and the plaintiff's motion to reconsider such order was dismissed. The existence of legal, regulatory and administrative proceedings against any of our employees, management, Directors, independent contractors, commercial partners and vendors, even if they do not involve our Company, may harm our reputation, and adversely affect our business and operations.

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

We are subject to anti-bribery laws in China that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such

policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the government, denial of government reimbursement for our products and exclusion from participation in government healthcare programs. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and disciplinary actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violated such laws.

Any failure to comply with applicable regulations and industry standards or obtain various licenses and permits could harm our reputation and our business, results of operations and prospects.

A number of governmental agencies or industry regulatory bodies in the PRC and other applicable jurisdictions impose strict rules, regulations and industry standards governing biopharmaceutical research and development activities, which apply to us. Our or our CROs' failure to comply with such regulations could result in the termination of ongoing research, administrative penalties imposed by regulatory bodies or the disqualification of data for submission to regulatory authorities. This could harm our business, reputation, prospects for future work and results of operations.

If we face allegations of non-compliance with laws and encounter sanctions, our reputation, revenues and liquidity may suffer, and our drug candidates and future drugs could be subject to restrictions or withdrawal from the market.

Any government investigation of alleged violations of laws could require us to expend significant time and resources in response, and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenues from our drugs. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our Company and our operating results will be adversely affected. Additionally, if we are unable to generate revenues from our product sales, our potential for achieving profitability will be diminished and the capital necessary to fund our operations will be increased.

Product liability claims or lawsuits could cause us to incur substantial liabilities.

We face an inherent risk of product liability exposure related to the testing of our drug candidates in human clinical trials and will face an even greater risk if we or a collaborator of ours commercializes any resulting products. Product liability claims may be brought against us by subjects enrolled in our clinical trials, patients, healthcare providers or others using, administering or selling our drug candidates. If we cannot successfully defend ourselves against claims that our drug candidates that we may develop caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any drug candidates or products that we may develop;
- termination of clinical trial sites or entire trial programs;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial subjects or patients;

- loss of revenue;
- diversion of management and scientific resources from our business operations; and
- the inability to commercialize any products that we may develop.

Our clinical trial liability insurance coverage may not adequately cover all liabilities that we may incur. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. Inability to obtain product liability insurance at an acceptable cost or to otherwise protect against potential product liability claims could prevent or delay the commercialization of any products or drug candidates that we develop. We intend to expand our insurance coverage for products to include the sale of commercial products if we obtain marketing approval for our drug candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. If we are sued for any injury caused by our drug candidates or processes, our liability could exceed our product liability insurance coverage and our total assets. Claims against us, regardless of their merit or eventual outcome, may also generate negative publicity or hurt our ability to obtain physician endorsement of our drug candidates or expand our business.

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

Although to our knowledge we have not experienced any material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we partially rely on our third-party research institution collaborators for research and development of our drug candidates and other third parties for the manufacture of our drug candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business.

To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our drug candidates could be delayed.

Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, private litigation, other liabilities, and/or adverse publicity. Compliance or the failure to comply with such laws could increase the costs of our products, limit their use or adoption, and otherwise negatively affect our operating results and business.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Regulatory authorities in many jurisdictions have implemented and are considering a number of legislative and regulatory proposals concerning personal data protection.

Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, China's Cyber Security Law (《中華人民共和國網絡安全法》), which became effective in June 2017, created China's first national-level data

protection for "network operators," which may include all organizations in China that provide services over the internet or another information network. Numerous regulations, guidelines and other measures are expected to be adopted under the umbrella of the Cyber Security Law. Drafts of some of these measures have now been published, including the draft Measures for Evaluating the Security of Transmitting Personal Information and Important Data Overseas (《個人信息和重要數據出境安全評估辦法（徵求意見稿）》) published by the China Cyberspace Administration in 2017, which may, upon enactment, require security review before transferring human health-related data out of China. In addition, the interpretation and application of data protection laws in China and elsewhere are often uncertain and in flux.

We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under global data protection, privacy and security laws will be sufficient. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental entities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted transfer or confiscation of certain personal information, require us to change our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with customers, vendors, pharmaceutical partners and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law. In addition, a data breach affecting personal information, including health information, could result in significant legal and financial exposure and reputational damage that could potentially have an adverse effect on our business.

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

The global macroeconomic environment is facing numerous challenges. There are threats of trade wars between the United States and its major trading partners, including China, and uncertainties over the impact of Brexit. The growth rate of the Chinese economy has generally been slowing since 2012 and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in market volatility. There have also been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

We face risks related to natural disasters, health epidemics and other outbreaks or other unforeseen catastrophic events.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause

uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

Changes in U.S. and international policies, particularly with regard to China, may adversely impact our business and operating results.

The U.S. government has recently made statements and taken certain actions that may lead to potential changes to U.S. and international policies with regard to China. It is unknown whether and to what extent other new laws or regulations will be adopted, or the effect that any such actions would have on us or our industry. While we have not started commercialization of drug candidates, any unfavorable international government policies, such as capital controls or tariffs, may affect the demand for our drug products, the competitive position of our drug products, the hiring of scientists and other research and development personnel, and import or export of raw materials in relation to drug development, or prevent us from selling our drug products in certain countries. If any new legislation and/or regulations are implemented, or in particular, if the U.S. government takes retaliatory actions due to the recent U.S.-China tension, such changes could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO DOING BUSINESS IN CHINA

The PRC's economic, political and social conditions, as well as governmental policies, could affect the business environment and financial markets in China, our ability to operate our business, our liquidity and our access to capital.

Substantially all of our operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors of China. The PRC

government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us.

We conduct our business primarily through our subsidiaries in China. PRC laws and regulations govern our operations in China, and our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China. The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties. In addition, PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, so it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the implementation of laws and regulations may be in part based on government policies and internal rules that are subject to the interpretation and discretion of different government agencies (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability regarding our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. These uncertainties could materially and adversely affect our business and results of operations.

In January 2020, the Foreign Investment Law (《中華人民共和國外商投資法》) became effective. Foreign-invested entities will enjoy national treatment in industry sectors that are not prohibited or restricted from foreign investment. The law imposes information reporting requirements on foreign investors and the applicable foreign invested entities. Non-compliance with the reporting requirements will result in corrective orders and fines between RMB100,000 (US$14,567) and RMB500,000 (US$72,833). The law reinforces the duties of government authorities to protect intellectual property rights and trade secrets of foreign-investment entities. Government authorities cannot compel technology transfer by administrative means, reveal or provide trade secrets of foreign-invested entities to third parties. In addition, the law calls for the establishment of a foreign investment security review mechanism, details of which will be further developed by the Chinese government.

In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

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

Our PRC subsidiaries' ability to obtain foreign exchange is subject to significant foreign exchange controls and, in the case of transactions under the capital account, requires the approval of or

registration with PRC government authorities, including the State Administration of Foreign Exchange, or SAFE. In particular, if we finance our PRC subsidiaries by means of foreign debt from us or other foreign lenders, the amount is not allowed to exceed the statutory limits and such loans must be registered with the local counterpart of SAFE. If we finance our PRC subsidiaries by means of additional capital contributions, the amount of these capital contributions must first be approved by or filed with the relevant government approval authority.

Further, 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》), or SAFE Circular 19, and the Circular on the Reform and Standardization 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》), or SAFE Circular 16, Renminbi-denominated capital that has been converted from foreign currency-denominated registered capital of a foreign-invested company may not be used for purposes beyond the company's business scope or be used to extend loans to persons other than the company's affiliates, unless otherwise permitted in its business scope. SAFE Circular 19 and SAFE Circular 16 may limit our ability to transfer the net proceeds from this offering to our PRC subsidiaries and to convert the net proceeds into Renminbi.

In the light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approval, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC subsidiaries to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries' ability to increase their registered capital or distribute profits to us, or otherwise adversely affect us or our PRC resident beneficial owners.

In 2014, 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 SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with 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, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange

restrictions. Due to the inherent uncertainty in PRC government authorities' implementation of its regulations, SAFE Circular 37 registration may not always be practically available under all circumstances prescribed in these regulations.

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

Due to the inherent uncertainty in PRC government authorities' implementation of its regulations, such SAFE registration may not always be practically available under all circumstances prescribed in these regulations.

We have requested any PRC residents who we know hold direct or indirect interests in our Company to make the necessary applications, filings and amendments required under SAFE Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interests in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. In addition, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, and limit the ability of our PRC subsidiaries to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, and other regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, according to the Anti-Monopoly Law of PRC (《中華人民共和國反壟斷法》) promulgated on 30 August 2007 and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》), issued by the State Council in August 2008 and amended in September 2018, the concentration of business

undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the anti-monopoly enforcement agency of the State Council when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), issued by the Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the Ministry of Commerce or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

The Enterprise Income Tax Law of the PRC and the Implementation Rules of the Enterprise Income Tax Law of the PRC define the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises." Under the Enterprise Income Tax Law, an enterprise incorporated outside of PRC whose de facto management bodies are located in PRC may be considered a "resident enterprise" and will be subject to a uniform 25% enterprise income tax rate on its global income. In 2009, the State Administration of Taxation in the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or SAT Circular 82, further specified certain criteria for the determination of what constitutes de facto management bodies. If all of these criteria are met, the relevant foreign enterprise may be regarded to have its de facto management bodies located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. Although SAT Circular 82 only applies to foreign enterprises that are majority-owned and controlled by PRC enterprises, not those owned and controlled by foreign enterprises or individuals, the determining criteria set forth in SAT Circular 82 may be adopted by the PRC tax authorities as the test for determining whether the enterprises are PRC tax residents, regardless of whether they are majority-owned and controlled by PRC enterprises.

We believe that neither Everest Medicines Limited nor any of our subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that Everest Medicines Limited or any of its subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, that entity would be subject to a 25% enterprise income tax on its global income. If such entity derives income other than dividends from its subsidiaries in China, a 25% enterprise income tax on its global income may increase our tax burden. Dividends paid to a PRC resident enterprise from its subsidiaries in China may be regarded as tax-exempt income if such dividends are deemed to be "dividends between qualified PRC resident enterprises" under the Enterprise Income Tax Law and its implementation rules. However, we cannot assure you that such dividends will not be subject to PRC withholding tax, as the PRC tax authorities, which enforce the withholding tax, have not yet issued relevant guidance.

In addition, if Everest Medicines Limited is classified as a PRC resident enterprise for PRC tax purposes, we may be required to withhold tax at a rate of 10% from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of ordinary shares, if such income is treated as sourced from within China. Furthermore, gains derived by our non-PRC individual shareholders from the sale of our Shares may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax (including withholding tax) on dividends received by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends, it would generally apply at a rate of 20%. The PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that Everest Medicines Limited is treated as a PRC resident enterprise.

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

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, our PRC subsidiary may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary reserve fund.

Our PRC subsidiaries generate primarily all of their revenue in renminbi, which is not freely convertible into other currencies. As result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to us.

In response to the persistent capital outflow in China and the Renminbi's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China and SAFE promulgated a series of capital control measure in early 2017, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

We and our shareholders face uncertainties in the PRC with respect to indirect transfers of equity interests in PRC resident enterprises.

The indirect transfer of equity interests in PRC resident enterprises by a non-PRC resident enterprise is potentially subject to income tax in China at a rate of 10% on the gain if such transfer is considered as not having a commercial purpose and is carried out for tax avoidance. The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years. The Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》), or SAT Circular 7, sets out the scope of "indirect transfer" for these purposes, which includes any changes in the shareholder's ownership of a foreign enterprise holding PRC assets directly or indirectly in the course of a group's overseas restructuring, and the factors to consider in determining whether an indirect transfer has a commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack a bona fide commercial purpose and be taxable under PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable assets; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in China, or 90% or more of its income is derived directly or indirectly from China; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable assets are limited and are insufficient to prove their economic substance; and (iv) the non-PRC tax payable on the gain derived from the indirect transfer of the PRC taxable assets is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, a non-resident enterprise's buying and selling of shares of the same listed foreign enterprise on the public market will fall under the safe harbor available under SAT Circular 7 and will not be subject to PRC tax pursuant to SAT Circular 7. Under SAT Circular 7, the entities or individuals obligated to pay the transfer price to the transferor is the withholding agent and it must withhold the PRC tax from the transfer price. If the withholding agent fails to do so, the transferor must report to and pay the PRC tax to the PRC tax authorities. In case neither the withholding agent nor the transferor complies with the obligations under SAT Circular 7, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent, in addition to imposing penalties such as late payment interest on the transferors. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

However, as these rules and notices are relatively new and there is a lack of clear statutory interpretation, we face uncertainties regarding the reporting required for and impact on future private

equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises, or the sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our Company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our Company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC residents were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident investors may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules and notices, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors' investments in us. We may conduct acquisition transactions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Any failure to comply with PRC regulations regarding the registration requirements for our employee equity incentive plans may subject us to fines and other legal or administrative sanctions, which could adversely affect our business, financial condition and results of operations.

In February 2012, 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》). In accordance with these rules and other relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. We and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. We plan to assist our employees to register their share options or shares. However, any failure of our PRC individual beneficial owners and holders of share options or shares to comply with the SAFE registration requirements may subject them to fines and legal sanctions and may limit the ability of our PRC subsidiaries to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

We may be restricted from transferring our scientific data abroad.

On 17 March 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provides a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval

before any scientific data involving a "state secret" may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term "state secret" is not clearly defined, if and to the extent our research and development of drug candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our preclinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our research and development of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

It may be difficult to enforce against us or our management in China any judgments obtained from foreign courts.

On 14 July 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. On 18 January 2019, the Supreme People's Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the Mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersedes the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

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

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

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

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. In the future, a portion of our revenue is denominated in Renminbi. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign-currency-denominated obligations. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. The relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. Our proceeds from the offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars.

RISKS RELATED TO THE GLOBAL OFFERING

No public market currently exists for our Shares; an active trading market for our Shares may not develop and the market price and trading volume of our Shares may decline or became volatile, which could lead to substantial losses to investors.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and Joint Representatives (for themselves and

on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price or trading volume of the Shares will not decline following the Global Offering.

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

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

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

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

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the Share Schemes, which would further dilute Shareholders' interests in our Company.

Because we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Shares for a return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and commercialization of our pipeline drug candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

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

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

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

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

As a result of all of the above, minority Shareholders may enjoy different remedies when compared to the laws of the jurisdiction in which such shareholders are located in.

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

Facts, forecasts and statistics in this document relating to the pharmaceutical industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators, the Joint Sponsors, the Joint Representatives, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic

assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this document relating to the pharmaceutical industry in and outside China may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

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

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

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

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the condition that: (i) the Company's authorized representatives will act as the principal channel of communication with the Stock Exchange; (ii) the authorized representatives have means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters; (iii) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time; (iv) the Company's compliance adviser will act as an additional channel of communication with the Stock Exchange; and (v) each Director will provide his/her respective mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange.

We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Ian Ying Woo and Ms. Yee Wa Lau ("**Ms. Lau**");

(b) each Director will provide their contact information to the authorized representatives. This will ensure that the authorized representatives should have means for contacting all Directors promptly at all times as and when required;

(c) we will endeavor to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Somerley Capital Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange; and

(e) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address).

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles they played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company appointed Ms. Yin Yin ("**Ms. Yin**") and Ms. Lau of Tricor Services Limited, as joint company secretaries. See "Directors and senior management—Joint company secretary" for their biographies.

Ms. Lau is a member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators), and therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

While Ms. Yin does not possess the formal qualifications required of a company secretary, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three year period from the Listing Date on the condition that (i) Ms. Yin must be assisted by Ms. Lau who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules and who is appointed as a joint company secretary throughout the three-year waiver period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

WAIVER AND EXEMPTION IN RESPECT OF THE PRE-IPO SHARE SCHEMES

Under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be

given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it or the right to it was given, and their potential dilution effect on the shareholding upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options (the "**Disclosure Requirements**").

As of the date of this document, we had granted options (which have not been forfeited or cancelled) under the Pre-IPO Share Schemes to 105 grantees (among whom 17 grantees are Directors, members of senior management, external consultants, connected persons and other grantees who are beneficially interested in more than 300,000 outstanding options under the Pre-IPO Share Schemes, and the remaining 88 grantees are other employees (including ex-employees) of the Group) to subscribe for an aggregate of 22,094,406 Shares, among which 21,797,158 options remain outstanding. The Shares underlying outstanding options represent 7.68% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes). See "Statutory and general information—D. Share Schemes—3. Outstanding options granted under the Pre-IPO Share Schemes" in Appendix IV for details.

Our Company has applied to the Stock Exchange and the SFC for (a) a waiver from strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and (b) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that:

(i) given that 105 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Schemes in this document on an individual basis would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation, disclosure preparation and printing;

(ii) material information relating to the options under the Pre-IPO Share Schemes will be disclosed in this document, including the total number of Shares subject to the Pre-IPO Share Schemes, the exercise price per Share, the potential dilution effect on the shareholding and impact on the earnings per Share upon the full exercise of the options granted under the Pre-IPO Share Schemes;

(iii) the proposed alternative disclosure contains such particulars and information which is necessary to enable an investor to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company and will not prejudice the interest of the investing public; and

(iv) the grant and exercise in full of the options under the Pre-IPO Share Schemes would not cause any material adverse impact on the financial position of our Company.

The Stock Exchange has granted a waiver from strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules on the conditions that:

(i) for grants under the Pre-IPO Share Schemes to our Directors, members of senior management, connected persons, external consultants and other grantees who are beneficially interested in more than 300,000 outstanding options under the Pre-IPO Share Schemes, disclosure be made on an individual basis, including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options granted under the Pre-IPO Share Schemes to the remaining grantees (being the other grantees who are not Directors, members of senior management, connected persons, external consultants or grantees that are beneficially interested in more than 300,000 outstanding options), disclosure will be made, on an aggregate basis, of (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Schemes, (2) the consideration paid (if any) for the grant of the options under the Pre-IPO Share Schemes and (3) the exercise period and the exercise price of the options granted under the Pre-IPO Share Schemes;

(iii) the aggregate number of Shares underlying the options granted under the Pre-IPO Share Schemes and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date be disclosed;

(iv) the dilution effect and impact on earnings per Share upon the full exercise of the options granted under the Pre-IPO Share Schemes be disclosed;

(v) a summary of the major terms of the Pre-IPO Share Schemes be disclosed;

(vi) the particulars of the waiver be disclosed in this prospectus and this prospectus will be issued on or before 25 September 2020;

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

(viii) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the Securities and Futures Commission exempting the Company from the disclosure requirements provided in paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(i) for grants under the Pre-IPO Share Schemes to our Directors, members of senior management, connected persons, external consultants and other grantees who are beneficially interested in more than 300,000 outstanding options under the Pre-IPO Share Schemes, disclosure be made on an individual basis, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options granted under the Pre-IPO Share Schemes to the remaining grantees (being the other grantees who are not Directors, members of senior management, connected persons, external consultants or grantees that are beneficially interested in more than 300,000 outstanding options), disclosure will be made, on an aggregate basis, of (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Schemes, (2) the consideration paid (if any) for the grant of the options under the Pre-IPO Share Schemes and (3) the exercise period and the exercise price of the options granted under the Pre-IPO Share Schemes;

(iii) a list of all grantees (including those persons whose details have already been disclosed) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of

Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V; and

(iv) the particulars of the exemption be disclosed in this prospectus and this prospectus will be issued on or before 25 September 2020.

EXEMPTION IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Pursuant to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a prospectus shall state the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company during each of the three financial years immediately preceding the issue of a prospectus including an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important trading activities.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in a prospectus a report by the auditors of our Company with respect to profits and losses and assets and liabilities of the Company in respect of each of the three financial years immediately preceding the issue of the prospectus.

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

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

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

We are required to disclose only our financial results for the two financial years ended 31 December 2018 and 2019 under Chapter 18A of the Listing Rules and the three months ended 31 March 2020.

Accordingly, we have applied for, and the SFC has granted, a certificate of exemption from strict compliance with paragraphs 27 of Part I and 31 of Part II of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that (i) particulars of this

exemption are set out in this prospectus and (ii) this prospectus will be issued on or before 25 September 2020, and on the following grounds:

(a) our Company is primarily engaged in the research and development, application and commercialisation of biotech products, and falls within the scope of Biotech Company as defined under Chapter 18A of the Listing Rules;

(b) as of the Latest Practicable Date, our Company had not commercialized any products and therefore did not generate any revenues from product sales. The details of our major activities have been fully disclosed in the section headed "Business", and major financing activities conducted by the Company since its incorporation includes its Pre-IPO Investments, the details of which have been fully disclosed in the section "History, development, and corporate structure";

(c) the Accountant's Report for each of the two financial years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 has been prepared and is set out in Appendix I to this document in compliance with Rule 18A.06 of the Listing Rules;

(d) notwithstanding that the financial results set out in this document are only for the two financial years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document; and

(e) given that our Company is only required to disclose its financial results for each of the two financial years ended 31 December 2018 and 2019 under Chapter 18A of the Listing Rules and preparation of the financial results for the year ended 31 December 2017 would require additional work to be performed by our Company and its auditors, it will be unduly burdensome for our Company to strictly comply with the relevant disclosure requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Our Company is of the view that the Accountant's Report covering the two financial years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, together with other disclosure in this document, already provides potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Company has been included in this document. Therefore, the exemption would not prejudice the interests of the investing public.

WAIVER FROM PRINTED PROSPECTUS

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

It is noted that the recent amendments to the Listing Rules relating to environmental, social and governance ("**ESG**") matters, including where the Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019 that such amendments relating to ESG matters "echo the increasing international focus on climate change and its impact on business." Electronic, in lieu of printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others.

Given the high and extensive use of internet gadgets (e.g. smartphones, tablet devices and computers) and easy access to internet services nowadays, it is noted that almost all applications in Hong Kong public offerings of recent IPOs (both in terms of the number of applications and the number of shares applied) were submitted electronically, instead of in paper format.

It is also noted that in light of the severity of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed white and yellow application forms will elevate the risk of contagion of the virus through printed materials. As of the Latest Practicable Date, the government of Hong Kong continues to put in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

Accordingly, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 12.04(3), Rule 12.07 and Rule 12.11 of the Listing Rules in respect of the availability of copies of this document in printed form.

We have adopted a fully electronic application process for the Hong Kong Public Offering and we will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

Our Hong Kong Share Registrar has implemented enhanced measures to support White Form eIPO Service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process. Our Hong Kong Share Registrar will also create a step-by-step guide setting out the steps for payment and completion of application for the retail investors as well as FAQs to address potential questions from the retail investors in relation to the Hong Kong Public Offering and the electronic application channels. Both the guide and the FAQs will be available in both English and Chinese and will be displayed on the White Form eIPO service website. For details of the telephone hotline and the application process, please see "How to Apply for Hong Kong Public Offer Shares."

We will adopt additional communication measures to inform the potential investors that they can only subscribe for the Hong Kong Public Offer Shares electronically, including (i) publishing a formal notice of the Global Offering on our website and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription; (ii) advertising through the White Form eIPO Service Provider the electronic methods for subscription of the Hong Kong Public Offer Shares; (iii) the enhanced support provided by our Hong Kong Share Registrar and White Form eIPO Service Provider in relation to the Hong Kong Public Offering (including additional enquiry hotlines for questions about the application for the Hong Kong Public Offer Shares and increasing its server capacity); and (iv) issuing a press release to remind investors that no printed prospectuses or application forms will be provided.

WAIVER AND CONSENT WITH RESPECT TO SUBSCRIPTION BY C-BRIDGE IV INVESTMENT SIXTEEN LIMITED AS CORNERSTONE INVESTOR

Rule 9.09(b) of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer (except as permitted by Rule 7.11 of the Listing Rules) from four clear business days before the expected hearing date until listing is granted.

Rule 10.03 of the Listing Rules provides that directors of the listing applicant and their close associates may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant, whether in their own names or through nominees if the following conditions are met: (1) that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by rule 8.08(1) of the Listing Rules is achieved.

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

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

Guidance Letter HKEX-GL92-18 (Suitability for Listing of Biotech Companies) and paragraph 4.27 of Guidance Letter HKEX-GL85-16 (Placing to connected clients, and existing shareholders or their close associates, under the Rules) provide that existing shareholders are allowed to participate in the initial public offering of a Biotech Company (as defined under Chapter 18A of the Listing Rules) provided that the applicant complies with Rules 8.08(1) and 18A.07 of the Listing Rules in relation to shares held by the public.

C-Bridge IV Investment Sixteen Limited is a close associate of CBC Group, who are our controlling shareholders. It is also a close associate of Mr. Wei Fu, our executive Director.

We have applied for (i) a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules and (ii) a waiver from strict compliance with Rules 10.03 and Rule 9.09(b) of the Listing Rules, to allow C-Bridge IV Investment Sixteen Limited to participate as a cornerstone investor in the Global Offering.

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

(a) the Company and the Joint Sponsors have confirmed that no preferential treatment has been, nor will be, given to C-Bridge IV Investment Sixteen Limited by virtue of its relationship with our Company in any allocation in the placing tranche other than the preferential treatment of assured entitlement for C-Bridge IV Investment Sixteen Limited to take up the Offer Shares at the Offer Price as cornerstone investor which follow the principles set out in Guidance Letter HKEX-GL51-13, and the cornerstone investment agreement with C-Bridge IV Investment Sixteen Limited does not contain any material terms which are more favorable to C-Bridge IV Investment Sixteen Limited than those in other cornerstone investment agreements;

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

(c) details of the allocation of the Offer Shares to C-Bridge IV Investment Sixteen Limited in the Global Offering as cornerstone investor are disclosed in this document and will be disclosed in the allotment results announcement of our Company; and

(d) the Offer Shares to be subscribed by and allocated to C-Bridge IV Investment Sixteen Limited (a close associate of our controlling shareholders and one of our Directors) under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors in the Global Offering (including being subject to a six-month lock-up arrangement following Listing).

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND CONSENT PURSUANT TO PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

We have also applied for a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, allow (i) RA Capital Healthcare Fund, L.P. and RA Capital Nexus Fund, L.P. (existing shareholders), (ii) Janchor Partners Pan-Asian Master Fund and Janchor Partners Opportunities Master Fund II (existing shareholders); (iii) GIC Private Limited (a close associate of an existing shareholder), (iv) BlackRock Funds (existing shareholders and their close associates), (v) Cormorant Asset Management, LP (a close associate of existing shareholders); (vi) Gaoling Fund, L.P. and YHG Investment, L.P. (close associates of an existing shareholder); (vii) Rock Springs Capital Master Fund LP and Four Pines Master Fund LP (existing shareholders), and (viii) Octagon Investments Master Fund LP (an existing shareholder) (collectively, the "**Related Cornerstone Investors**") to participate as cornerstone investor in the Global Offering.

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

(a) the Company and the Joint Sponsors have confirmed that no preferential treatment has been, nor will be, given to the Related Cornerstone Investors by virtue of their relationship with our Company other than the preferential treatment of assured entitlement for the Related Cornerstone Investors to take up the Offer Shares at the Offer Price as cornerstone investors which follow the principles set out in Guidance Letter HKEX-GL51-13, and the respective cornerstone investment agreement with the Related Cornerstone Investors does not contain any material terms which are more favorable to the Related Cornerstone Investors than those in other cornerstone investment agreements;

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

(c) details of the allocation of the Offer Shares to the Related Cornerstone Investors in the Global Offering as cornerstone investors are disclosed in this document and will be disclosed in the allotment results announcement of our Company; and

(d) the Offer Shares to be subscribed by and allocated to the Related Cornerstone Investors (existing shareholders of our Company or their close associates) under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors in the Global Offering (including being subject to a six-month lock-up arrangement following Listing).

DIRECTORS' RESPONSIBILITY STATEMENT

This document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

THE HONG KONG PUBLIC OFFERING AND THIS DOCUMENT

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

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

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Joint Representatives (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Joint Representatives (on behalf of the Hong Kong Underwriters), on or before Thursday, 8 October 2020, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangement, see "Underwriting".

Neither the delivery of this document nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this document or imply that the information contained in this document is correct as of any date subsequent to the date of this document.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedures for applying for Hong Kong Public Offer Shares are set forth in the section headed in "How to Apply for Hong Kong Public Offer Shares".

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering".

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed "Structure of the Global Offering".

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

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

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option) and any Shares which may be issued under the Share Schemes.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 9 October 2020. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 1952.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong branch register of members will be maintained by the Hong Kong Share Registrar in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered in our Hong Kong register will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for, or the market value of, the Shares is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

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

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

RMB0.87516	to HK$1.00
RMB6.78250	to US$1.00
HK$7.75001	to US$1.00

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

ROUNDING

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

LANGUAGE

If there is any inconsistency between this document and its Chinese translation, this document shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or

enterprises established in China mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

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Non-executive Director		
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Independent non-executive Directors		
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See “Directors and senior management” for further details.

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68/F, Cheung Kong Center
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Merrill Lynch Far East Limited
55/F, Cheung Kong Center
2 Queen’s Road Central, Central, Hong Kong

Joint Global Coordinators

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Citigroup Global Markets Asia Limited
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	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West, Kowloon, Hong Kong
Joint Bookrunners and Joint Lead Managers	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central, Central, Hong Kong
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	Citigroup Global Markets Limited *(in relation to the International Offering)* 33 Canada Square Canary Wharf, London E14 5LB, United Kingdom
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street, Central, Hong Kong
	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West, Kowloon, Hong Kong
	Nomura International (Hong Kong) Limited 30/F, Two International Finance Centre 8 Finance Street, Central, Hong Kong
	Brocade River Asset Management Limited Suite 2306, 23/F, Tower 1, The Gateway Tsim Sha Tsui, Kowloon, Hong Kong
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	As to PRC law **Zhong Lun Law Firm** 6/10/11/16/17F, Two IFC, 8 Century Avenue Pudong New Area, Shanghai 200120, P.R. China

	As to Cayman Islands law **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza, 18 Harbour Road Wanchai, Hong Kong
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Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B, 500 Yunjin Road, Shanghai, 200232, China
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Head office and principal place of business in China	Plaza 66, Tower 1, Units 6601-6606 1266 West Nanjing Road, Shanghai, 200040, China
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong
Registered office in the Cayman Islands	PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands
Company website	www.everestmedicines.com *(the information contained on this website does not form part of this document)*
Joint company secretaries	**Ms. Yin Yin** Suite 3306-7, Two Exchange Square 8 Connaught Place, Central, Hong Kong **Ms. Yee Wa Lau** *(HKICS, ICSA)* Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong
Authorized representatives	**Mr. Ian Ying Woo** 1601 Johnson Avenue, Apt 8, Elmont NY 11003, USA **Ms. Yee Wa Lau** Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong
Audit committee	Mr. Yifan Li *(Chairperson)* Mr. Shidong Jiang Mr. Tan Bo
Remuneration committee	Mr. Tan Bo *(Chairperson)* Mr. Shidong Jiang Mr. Wei Fu
Nomination committee	Mr. Wei Fu *(Chairperson)* Mr. Tan Bo Mr. Yifan Li
Principal share registrar and transfer office	**Maples Fund Services (Cayman) Limited** PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong

Compliance adviser	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central, Central, Hong Kong
Principal bank	**Silicon Valley Bank** 3003 Tasman Drive, Santa Clara, CA 95054 United States of America

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party (the "**Frost & Sullivan Report**"). The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside China and Hong Kong.

We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. Our Directors confirm after making reasonable enquiries, that there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have a material impact on the information in this section. The information has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, except Frost & Sullivan, and no representation is given as to its accuracy.

Report Commissioned from Frost & Sullivan

We commissioned Frost & Sullivan to conduct an analysis of, and to prepare a report on, China's pharmaceutical industry. We agreed to pay Frost & Sullivan a total fee of RMB800,000. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environments of the PRC will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC healthcare industry; (ii) the PRC healthcare market will grow as expected due to rising healthcare demand and supply; and (iii) the PRC government will continue to support healthcare reform.

Frost & Sullivan's projections are made based on various market determinants and their coefficients assigned to a market which indicate their relative importance. The market determinants represent both subjective assumptions and objective factors, therefore, the projected data may not be consistent with the real data.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

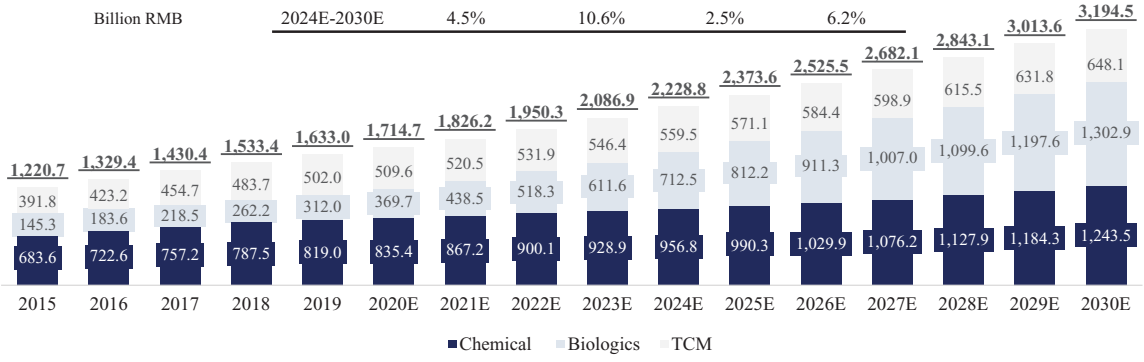
In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published sources including national statistics, annual reports of listed companies, industry reports and data based on Frost & Sullivan's own research database; and (ii) primary research, which involved in-depth interviews with the industry participants.

Overview of the China Pharmaceutical Industry

China's pharmaceutical market is the second largest in the world. Its size increased from RMB1,220.7 billion in 2015 to RMB1,633.0 billion in 2019, representing a compound annual growth rate, or CAGR, of 7.5% from 2015 to 2019. The market is projected to further grow from RMB2,228.8 billion in 2024 to RMB3,194.5 billion in 2030, representing a CAGR of 6.2% from 2024 to 2030.

Breakdown of China Pharmaceutical Market by Chemical Drugs, Biologics and TCMs, 2015-2030E

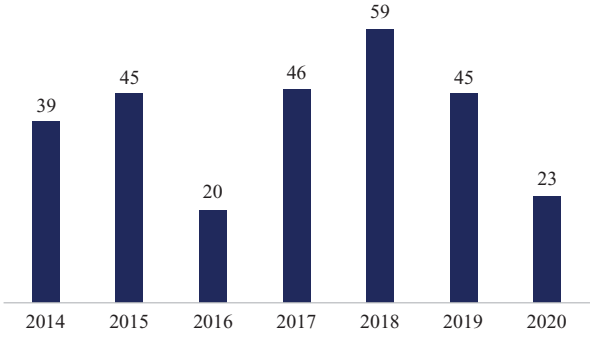
CAGR	Chemical Drugs	Biologics	TCMs	Total
2015-2019	4.6%	21.1%	6.4%	7.5%
2019-2024E	3.2%	18.0%	2.2%	6.4%
2024E-2030E	4.5%	10.6%	2.5%	6.2%



Source: Frost & Sullivan Report

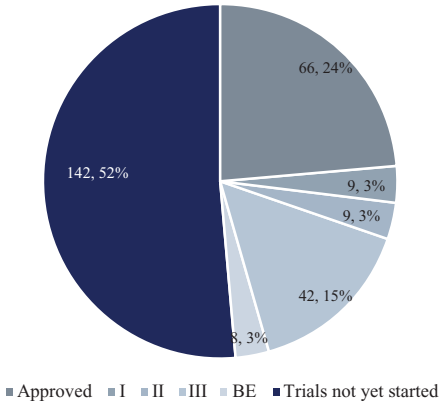
There is a delay of new drug launch in China compared to those in developed markets. According to the Frost & Sullivan Report, of the 277 new drugs approved by the U.S. FDA from 2014 to June 2020, a total of 142, or 52%, have not yet begun clinical development in China. As a result of this delay in clinical activities and regulatory approvals, the standard of care for many diseases is different in China from that in North America or Europe, which creates significant opportunities for introducing innovative drug candidates with proven clinical benefits in developed markets.

FDA Approved New Therapeutic Drugs (2014-2020)



*New drug refers to new molecular entity (NME) drug or new biologic.
*Excluding diagnostic reagents.
*As of 2020/06/10.

Clinical Trials Status in China

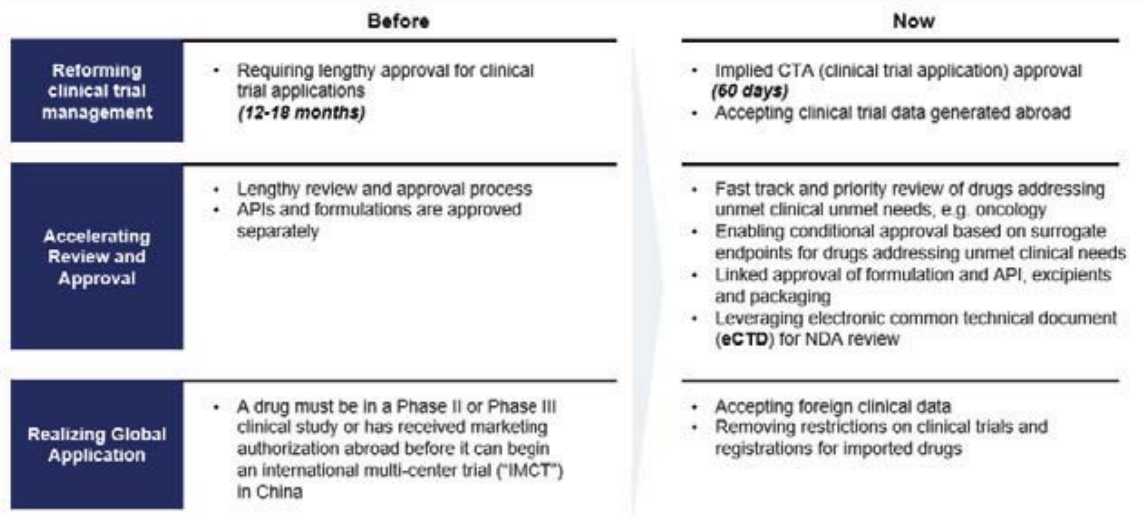


Source: CDE; FDA; Frost & Sullivan Report

Regulatory reform and broadening of market access provide a brighter outlook for China's innovative and patented products. The growing opportunities and potential for China's innovative drug candidate are primarily attributable to the following factors:

Regulatory Tailwinds for Innovative Drugs

The regulatory environment for innovation in China has been increasingly supportive over the past years. Having achieved a series of milestones over the course of NMPA reform implementation, industry participants are optimistic that the reform will stay on course in the upcoming years and that its scope may expand to bring it into closer alignment with global regulatory practices and standards in pragmatic ways.



Source: Frost & Sullivan Report

Expanding Reimbursement Coverage of Innovative Drugs

In China, the NRDL provides the framework for reimbursement of drugs. The Chinese government is taking steps to improve the accessibility of innovative drugs, including by incorporating innovative drugs in the NRDL at an increasing frequency. Innovative drugs addressing urgent clinical needs are increasingly admitted into NRDL scheme through a mechanism named "Dynamic Adjustment", during which price cut is negotiated alongside with an assessment on value judgment. In 2017, 36 drugs were incorporated into the NRDL through dynamic adjustment mechanism; in 2018, 17 more were included while in 2019, 97 were included.

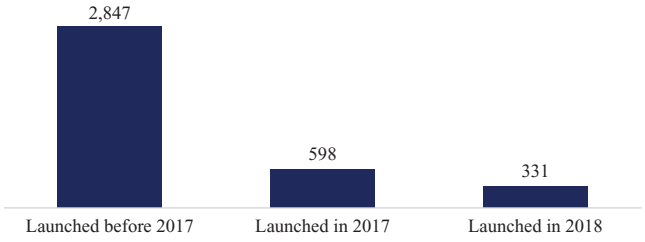
The expansion of NRDL coverage significantly increases market accessibility for innovative drugs. Inclusion into the NRDL typically results in a much higher sales volume and significant sales growth despite a reduction in the price. For example, Avastin became incorporated in the NRDL after cutting its price by over 60% in 2017, and in turn it achieved an 86% increase in sales revenue. Similarly, Herceptin became incorporated in the NRDL after cutting its price by over 65% in 2017, and in return it achieved a 50% increase in sales revenue.

According to the Frost & Sullivan Report, an analysis of innovative oncology drugs that became incorporated in the NRDL over the past years shows that the period between NDA approval and

inclusion in the NRDL has on average shortened considerably. For drugs approved in 2018, average time to NRDL is less than one year.

Days from NDA Approval to NRDL for Innovative Oncology Drugs

(Average number of days)



Note: refers to drugs that entered NRDL through dynamic adjustments (negotiation access) in 2017, 2018 and 2019, excluding TCM
Source: NMPA. Frost & Sullivan Report

Overview of the Pharmaceutical Industry in Other Asian Markets

Hong Kong, Macau, Taiwan, South East Asia, South Korea

Pharmaceutical industry in other Asian territories such as Hong Kong, Macau, Taiwan, South East Asia, South Korea represents tremendous untapped opportunity from a growth perspective. Total pharmaceutical market size of these international market was US$46.4 billion in 2019, which was 19.6% of the China market size, in which South Korea has witnessed the highest growth during the past five years. Driven by enlarging population, increasing disposable income and accessibility to novel therapies, it is projected to reach US$92.0 billion in 2030, which is 19.9% of the then China market size, representing a CAGR of 6.4% for the period of 2019 to 2030, faster than that of global and China pharmaceutical markets.

Overview of Key Therapeutic Areas

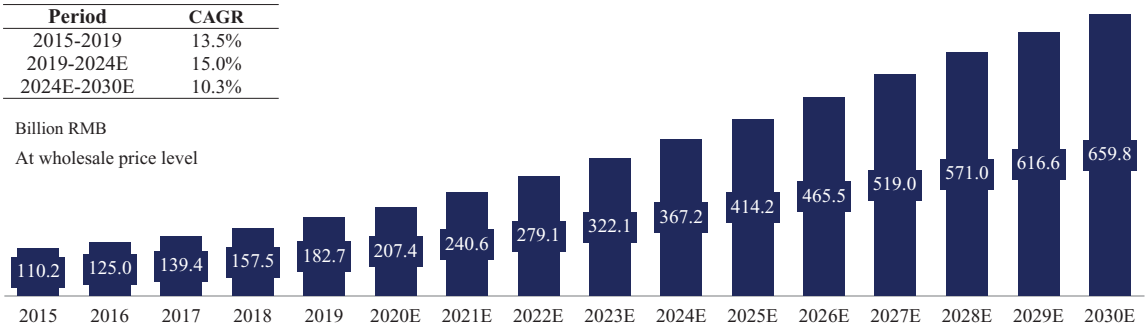
Oncology

Overview of China Oncology Drug Market

In China, sales of oncology drug products have risen steadily in recent years and generated a total revenue of RMB182.7 billion in 2019, representing a CAGR of 13.5% from 2015 to 2019. China's oncology drug market is forecasted to reach total revenue of RMB367.2 billion in 2024, assuming drug products are sold at wholesale prices, representing a CAGR of 15.0% from 2019 to 2024. The market is expected to further grow to RMB659.8 billion in 2030, representing a CAGR of 10.3% from 2024 to 2030. The market share of oncology drugs as a percentage of China's pharmaceutical market grew from 9.0% in 2015 to 11.2% in 2019 and is expected to continue to expand to 16.5% in 2024. The following diagram illustrates the historical and forecast size of China oncology drug market.

China Oncology Drug Market Size, 2015-2030E

Period	CAGR
2015-2019	13.5%
2019-2024E	15.0%
2024E-2030E	10.3%



Source: Frost & Sullivan Report

Key Features of China Oncology Drug Market

Substantial Growth Drivers

The oncology drug market in China is growing at a faster pace than developed markets, primarily driven by the large and continuously growing cancer patient base, broader application of innovative therapies and further inclusion of pharmaceuticals in the NRDL.

- **Large and Growing Cancer Patient Base**. China has the world's largest annual cancer incidence, which has increased steadily in the past five years, climbing from 4.0 million in 2015 to 4.4 million in 2019, and the incidence is projected to reach 5.7 million in 2030.
- **Increasingly Available Innovative Therapies**. Innovative therapies may achieve better treatment outcome compared to conventional treatment such as chemotherapies while avoiding severe side effects. However many innovative cancer therapies are not yet available in the China market. Innovation delay is considered one of the core reasons that China cancer patients have a significantly lower overall five-year survival rate as compared to patients in the United States. In particular, the five-year survival rate for all registered cancer patients in China was 40.5% as compared to the five-year survival rate of 67.1% for patients in the United States in 2015. With the continuous regulatory reform in China's drug registration and review process, innovative therapies are expected to reach China market at an expedited pace.
- **Further Inclusion of Oncology Drugs into the NRDL**. China's public reimbursement coverage is expected to continue its expansion because of the regular updates and adjustments on the NRDL. In October 2018, 17 oncology drugs were added to the NRDL through dynamic adjustment. In November 2019, another 22 oncology drugs were added to the NRDL through dynamic adjustment.

Differentiated Epidemiology Profile

Due to differences in the epidemiology for some diseases between China and Western countries, there are drugs or drug candidates whose addressable patient population is much larger in China than in other countries. In China, lung cancer, stomach cancer, colorectal cancer, liver cancer and breast cancer are the top five cancer types in terms of annual incidence, collectively accounting for more than 50% of new cancer patients each year. By contrast, in the United States, breast cancer, lung cancer, prostate cancer, colorectal cancer and skin cancer have the highest annual incidence.

Significant Innovation Gap

While all top 10 bestselling oncology drugs in the United States in 2019 are innovative therapies, 4 out of the top 10 oncology drugs in China are older chemotherapy drugs. Furthermore, on average, there is a 5-year delay for the top 10 bestselling drugs in the United States to reach the China market and 4 out of the top 10 drugs had at least 6 years of delay before China approval.

Top 10 Bestselling Oncology Drugs by Generic Name in China and the United States, 2019

Billion USD

Rank	Generic Name	2019 China Sales	Category
1	Trastuzumab	0.95	Innovative Drug
2	Paclitaxel	0.79	Chemotherapy Drug
3	Bevacizumab	0.58	Innovative Drug
4	Osimertinib	0.52	Innovative Drug
5	Pemetrexed	0.52	Chemotherapy Drug
6	Tegafur Gimeracil Oteracil Potassium	0.47	Chemotherapy Drug
7	Rituximab	0.46	Innovative Drug
8	Docetaxel	0.41	Chemotherapy Drug
9	Anlotinib	0.41	Innovative Drug
10	Imatinib	0.39	Innovative Drug

Rank	Generic Name	2019 US Sales	Category	Approval Year in US	Approval Year in China
1	Lenalidomide	7.2	Innovative Drug	2005	2013
2	Pembrolizumab	6.3	Innovative Drug	2014	2018
3	Rituximab	4.5	Innovative Drug	1997	2000
4	Nivolumab	4.3	Innovative Drug	2014	2018
5	Ibrutinib	3.8	Innovative Drug	2013	2017
6	Palbociclib	3.3	Innovative Drug	2015	2018
7	Denosumab	3.2	Innovative Drug	2010	2019
8	Bevacizumab	3.0	Innovative Drug	2004	2010
9	Trastuzumab	2.7	Innovative Drug	1998	2002
10	Pomalidomide	1.8	Innovative Drug	2013	NA

Chemotherapy Drugs

Top 10 Bestselling Drugs in US with 5+ Years Delayed to China

Note: Innovative drugs here mainly include small-molecularly targeted drugs and biologics.

Breast Cancer

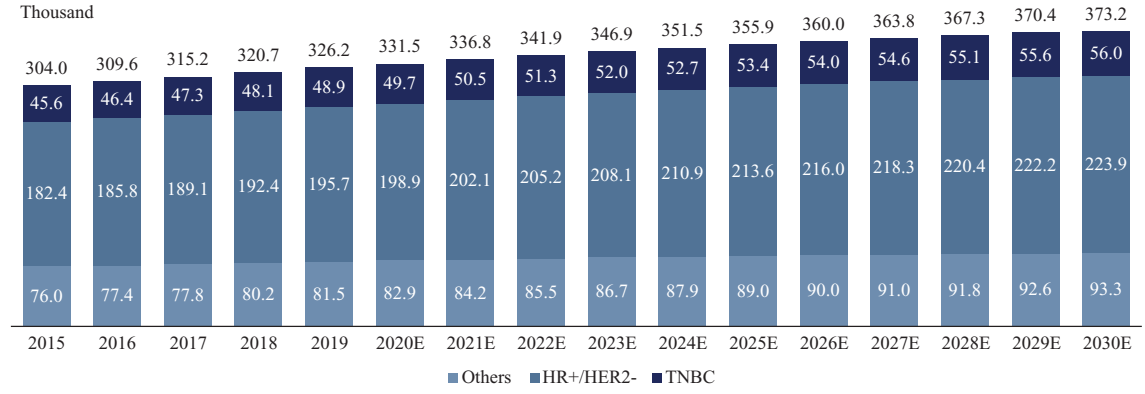
The incidence of breast cancer increases year by year, and it is the most common form of cancer affecting women. The incidence of breast cancer in China grew from 304.0 thousand in 2015 to 326.2 thousand in 2019, representing a CAGR of 1.8%. The number is predicted to continue to grow to 351.5 thousand by 2024, representing a CAGR of 1.5%, and to 373.2 thousand by 2030, representing a CAGR of 1.0% from 2024 to 2030.

Triple-negative breast cancer (TNBC) is a type of breast cancer that does not have any of the receptors that are commonly found in breast cancer, including estrogen receptor, progesterone receptor, and human epidermal growth factor receptor 2 (HER2). Approximately 15% of all breast cancer incidences are triple-negative. HR+/HER2- breast cancer, which is characterized by expression of the hormone (estrogen or progesterone) receptors and no expression of HER2 represents over 60% of all breast cancer. In 2019, the number of mTNBC patients was 22.5 thousand and is expected to reach 25.0 thousand and 27.4 thousand in 2024 and 2030, respectively.

The chart below illustrates the historical and forecast prevalence and incidence of breast cancer in China.

Incidence of Breast Cancer in China, 2015-2030E

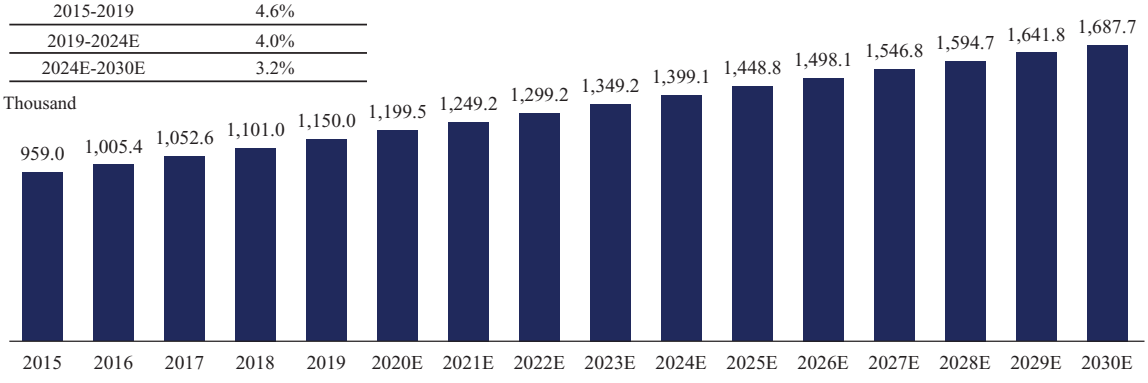
Period	CAGR
2015-2019	1.8%
2019-2024E	1.5%
2024E-2030E	1.0%



Source: NCCR, Frost & Sullivan analysis

5-year Prevalence* of Breast Cancer Patients in China, 2015-2030E

Period	CAGR
2015-2019	4.6%
2019-2024E	4.0%
2024E-2030E	3.2%



Source: Frost & Sullivan analysis

** 5-year prevalence is a concept from National Cancer Institute (NCI), also known as 5-year limited duration prevalence. It includes alive diagnosed with cancer within the past 5 years. It is a closer assessment of caner patients' prevalence in more intensive cancer care*

Treatment options for TNBC are limited, representing a large unmet clinical need in China. Hormone therapy and drugs that target HER2 are not helpful, thus chemotherapy is the main systemic treatment option for TNBC patients. Although TNBC tends to respond well to initial chemotherapy, it tends to recur more frequently than other breast cancers. In China, salvage chemotherapy is recommended as the first-line treatment for recurrent or metastatic breast cancer. HER2-targeted therapy is recommended for HER2+ patients, and endocrine therapy is recommended for HR+ breast cancer.

Competitive Landscape

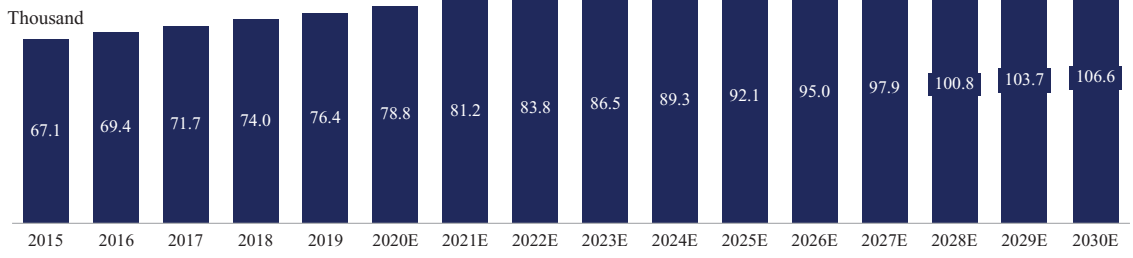
See "Business—Market Opportunity in China" under Trodelvy for more information.

Urothelial Cancer

Bladder cancer is the most common type of urothelial cancer. Risk factors that may increase the chances of developing urothelial cancer include gender, age, usage of tobacco and chronic bladder inflammation. In 2019, the incidence of urothelial cancer in China reached 76.4 thousand, representing a CAGR of 3.3% from 2015. This number is expected to reach 89.3 thousand in 2024, a CAGR of 3.2%, and to reach 106.6 thousand in 2030, a CAGR of 3.0% from 2024 to 2030. The chart below illustrates the incidence of urothelial cancer in China.

Incidence of Urothelial Cancer in China, 2015-2030E

Period	CAGR
2015-2019	3.3%
2019-2024E	3.2%
2024E-2030E	3.0%



Source: NCCR, Frost & Sullivan analysis

In China, chemotherapy, systemic immunotherapy, radiotherapy, palliative cystectomy and supportive treatment are used to treat metastatic urothelial cancer or to prolong patient life. In the United States, the first-line systemic treatment includes chemotherapies and immunotherapies. Several PD-(L)1 inhibitors, such as pembrolizumab, could be subsequently used for the treatment of metastatic urothelial cancer after first-line platinum therapy fails. Chemotherapy is currently used in treating urothelial cancer as an adjuvant therapy.

Hepatocellular Carcinoma (HCC)

Hepatocellular carcinoma are cancers derived from hepatocytes, accounting for 90% of all liver cancers. HCC is highly prevalent in China due to the high prevalence of hepatitis B in parts of the country, and over 45% of all HCC cases worldwide are reported from China. The incidence of HCC in China has grown from 333.0 thousand in 2015 to 369.4 thousand in 2019, representing a CAGR of 2.6%. The incidence is projected to continue to grow in the future, with estimated new cases reaching 416.5 thousand in 2024 and 473.4 thousand by 2030. See "Business—Market Opportunity in China" under FGF401 for more information relating to the competitive landscape.

Non-Small Cell Lung Cancer (NSCLC)

Non-small cell lung cancer is a subtype of lung cancer, accounting for 85% of all lung cancer cases. The incidence of NSCLC in China reached 761.0 thousand in 2019, with a CAGR of 3.3% from 2015 to 2019. The number is expected to reach 884.3 thousand in 2024, with a CAGR of 3.0%, and to reach 1.0 million in 2030, with a CAGR of 2.8% from 2024 to 2030.

Infectious Disease

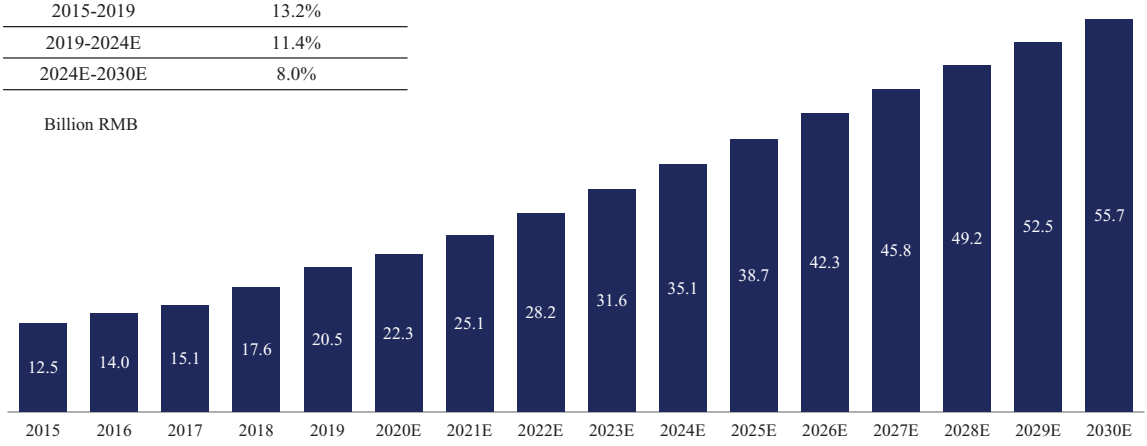
Overview

There is a well-known and widely documented need for new antibiotics driven by increasing rates of resistance worldwide to existing therapies. However, due to the challenges of launching new antibiotic products in the United States and the EU over the last few years, global investment in development of new products has lagged behind the medical need.

Compared to Western countries, the market in China for novel antibiotics has been strong. According to the Frost & Sullivan Report, China's anti-infective drug market has increased from RMB195.8 billion to RMB225.5 billion with a CAGR of 3.6% from 2015 to 2019. The China anti-infective drug market, in particular, is one of the largest therapeutic areas in China, with commercial revenue similar to those of oncology and cardiovascular diseases. Each of the top ten antibiotics has had over RMB2 billion sales in China, however, most of these products are relatively old and vulnerable to increasing antibiotic resistance, highlighting the need for new therapeutic options. Within the antibiotics sector, China's market for Gram-negative-MDR (G-MDR) antibiotics grew at a much faster pace in the past five years compared to the overall anti-infectives market, increasing from RMB12.5 billion in 2015 to RMB20.5 billion in 2019, representing a CAGR of 13.2%. The market is forecast to grow to RMB35.1 billion in 2024, representing a CAGR of 11.4% from 2019 to 2024, and to further reach RMB55.7 billion in 2030, representing a CAGR of 8.0% from 2024 to 2030. The following chart illustrates the historical and forecast size of China's Gram-negative MDR antibiotics market.

Market Size of Gram-negative MDR Antibiotics in China, 2015-2030E

Period	CAGR
2015-2019	13.2%
2019-2024E	11.4%
2024E-2030E	8.0%



Note: Gram-negative MDR antibiotics include Carbapenem, BL/BLI, Tetracycline and Polymyxin which are primarily indicated for Gram-negative infections clinically
Source: Frost & Sullivan Report

Multiple Drug-Resistant (MDR) Infections

According to the U.S. Centers for Disease Control and Prevention, among the growing challenges of bacterial resistance to available antibiotics, those concerning Gram-negative pathogens are particularly acute. The WHO published its first list of antibiotic-resistant "priority pathogens," a catalogue of 12 families of bacteria that pose the greatest threat to human health in 2017. According to the WHO, they are divided into 3 classification: Critical, High and Medium Levels. The list below shows the threat of

multi-drug resistance bacterial worldwide with critical priority level, and the priority direction of research and development.

Overview of Pathogens with Critical Priority Level

PriorityLevel	Bacteria	Infections Caused	Major Antibiotics for Treatment	Type
Critical	*Acinetobacter baumannii,* carbapenem-resistant	• Pneumonia • Bloodstream infections • Meningitis	Polymyxin, Tigecycline	G-
	Pseudomonas aeruginosa, carbapenem-resistant	• Pneumonia • Infections of burn injuries • Infections of outer ear	Polymyxin	G-
	Enterobacteriaceae, carbapenem-resistant, ESBL-producing	• Pneumonia • Urinary tract infection • Biliary tract infection	Polymyxin, Tigecycline	G-

Source: WHO, Frost & Sullivan Analysis

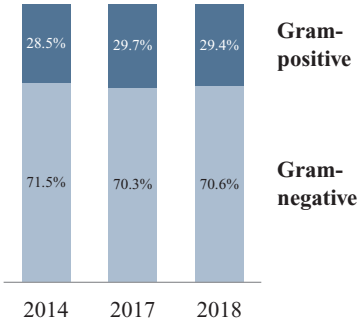
Gram-negative Pathogens in China

According to reports from CARSS, a national antimicrobial surveillance program, in the last ten years, Gram-negative pathogens have represented approximately 70% of clinical isolates. In China, the rate of resistance for Gram-negative infections to currently approved antibiotics is even higher than Western countries. Many of these serious infections are healthcare-associated, i.e., acquired in hospitals. In 2019, there were 8.1 million cUTI, 2.9 million cIAI, 28.1 million CABP and 3.0 million HABP/VABP infection cases in China.

Prevalence of Clinically Isolated Pathogens in China

Gram-negative pathogens dominate infections in clinical

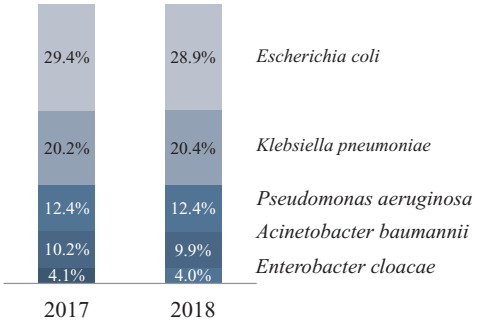
Clinical pathogen distribution



- Gram-negative pathogen infections account for around 70% of all infections with current treatment options less effective.

Top 4 account for 70% of Gram-negative pathogens

Distribution of Gram-negative pathogen



- *Escherichia coli* and *Klebsiella pneumoniae* are the most common Gram-negative pathogens in clinical.
- *Pseudomonas aeruginosa* and *Acinetobacter baumannii* are also highly prevalent. Treatment options are very limited for these two pathogens.

Source: CARSS, Frost & Sullivan Analysis

Notably, there has been dramatic increase over last ten years in the prevalence of strains resistant to carbapenems, a class of antibiotic agents commonly used to treat serious or high-risk infections,

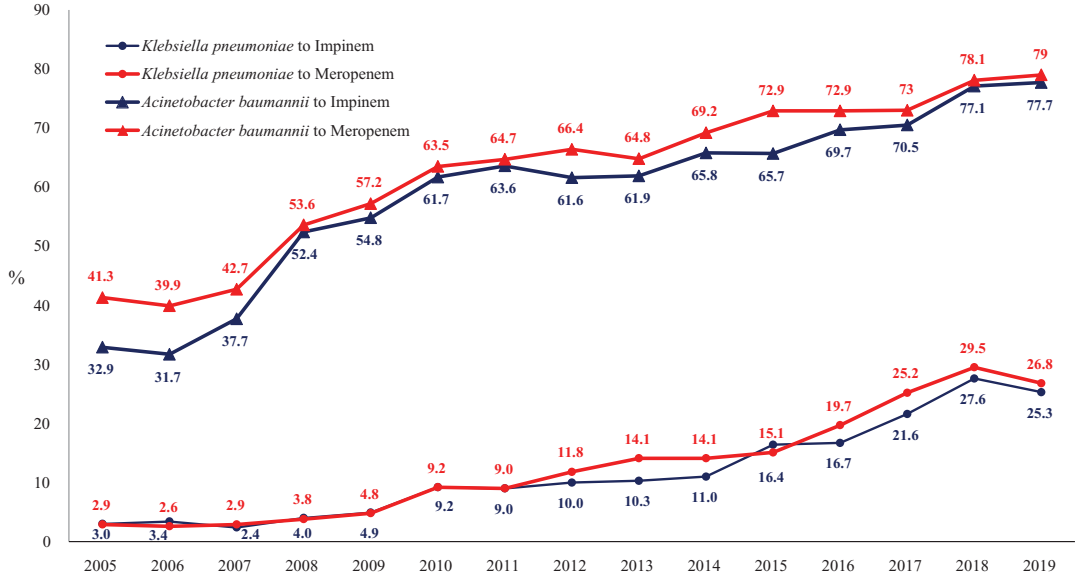
including carbapenem-resistant *Enterobacteriaceae* (CRE), carbapenem-resistant *Pseudomonas aeruginosa* (CRPA) and carbapenem-resistant *Acinetobacter baumannii* (CRAB).

Acinetobacter baumannii is an opportunistic bacterial pathogen primarily associated with hospital-acquired infections. Based on national surveillance of over 1,300 hospitals in China, there are over 220,000 *Acinetobacter baumannii* infections per year, although the actual incidence is estimated to be much larger. In China, its resistant rate to commonly used gram-negative antibiotics such as piperacillin, ceftazidime, and cefoperazone/sulbactam ranges from 46.5% to over 80%, and the resistant rate to carbapenem has increased from 30-40% in 2005 to over 70% in 2019. Currently the only drugs available to treat these resistant organisms are tigecycline and polymyxin, both of which have significant limitation in use clinically due to safety and tolerability issues.

Enterobacteriaceae is a large family of Gram-negative bacteria including *Escherichia coli* and *Klebsiella pneumoniae*, two of the top four clinically isolated Gram-negative pathogens in China. In particular, *Klebsiella pneumoniae* has been a clinical challenge that causes higher mortality and health burden. According to CHINET, the resistance rate of *Klebsiella pneumoniae* to carbapenem has increased in the past 10 years to over 25% in 2019 from 3.0% in 2005. Despite the growing unmet need driven by increasing resistance rates, limited new antibiotics that can address these difficult to treat Gram-negative infections have been approved in the past ten years.

Pseudomonas aeruginosa is one of the most common Gram-negative organisms in the hospital setting in China. In China, the resistant rate to commonly used gram-negative antibiotics such as ticarcillin/clavulanic acid, cefoperazone, and piperacillin/tazobactam ranges from 16.2% to over 38%, according to CHINET. There are limited treatment options available today to treat these resistant organisms.

Carbapenem Resistance Rates in China
Imipenem and Meropenem Two Major Carbapenem Antibiotics



Note: CHINET surveillance of bacterial resistance across tertiary hospitals
Source: CHINET, Frost & Sullivan Report

Treatment of Gram-negative MDR infections

Gram-negative MDR infections are mainly treated in ICU, hematology, respiratory and infectious disease department within a hospital. Due to the lack of rapid diagnostic tool at the bedside, clinical practitioners generally adopt empirical therapy as initial treatment. Empiric treatment in clinical practice relies on physicians' judgment, which is promulgated by local epidemiology data, patient medical history, as well as treatment guidelines. It is crucial for initial empirical antibiotics therapy to have broad microbiological spectrum and to be administered at optimal dosage to minimize toxicity. Combination therapy frequently plays a critical role in clinical practice in order to maximize the probability of full pathogen coverage. Tetracycline antibiotics, beta-lactams (mainly including carbapenems), beta-lactam/beta-lactamase inhibitor combinations (BL/BLIs), and polymyxins are the mainstreams of Gram-negative MDR antibiotics in China. Each antibiotic drug has its strengths and weaknesses in terms of pathogen coverage, safety profile and therapeutic concentration in certain body sites. If available in the future, rapid diagnostic techniques can help to play a significant role in optimizing antibiotic therapy and mitigating bacteria resistance.

The future treatment paradigm is expected to shift towards novel drugs that both have improved activity against pathogens resistant to existing therapies and can safely be used in combination with other agents. Successful new empirical treatment options also have the potential to effectively reduce the spread of resistance. Good stewardship efforts will cause carbapenem usage to be restrained as part of the effort to combat MDR resistance, which highlights the importance of having effective options from a number of different drug classes.

Competitive Landscape

See "Business—Market Opportunity in China" under eravacycline, taniborbactam and SPR206 for more information.

Key Growth Drivers for China Gram-negative MDR Antibiotics Market

Prevailing Drug Resistance

Inappropriate and large volume use of antibiotics has led to high drug resistance rates for certain pathogens in China. Resistance rates to existing commonly used antibiotics are expected to continue to increase despite efforts to improve antibiotic stewardship.

Vulnerable Patient Population

An aging population, increasing incidence of diseases that compromise the immune system, and co-morbidities such as diabetics, are leading to higher infection rates, as well as a higher frequency of severe infections which require antibiotics that are effective against difficult to treat pathogens and safe enough for longer term use.

Demand for Reliable Therapy

Current clinical diagnostic standards still rely on traditional microbiology which requires 3-5 days from sampling to inform the pathogen and its drug susceptibility. Thus, given the high risk of MDR infections, empirical use of antibiotics is generally adopted during clinical practice, emphasizing the importance of having reliable antibiotics with broad spectrum and well tolerated safety profile.

Pull from Clinicians for Novel Antibiotics

The need for novel antibiotics is now greater than ever and the Chinese healthcare community waits in anticipation for the arrival of new antibiotics. Despite this critical public health challenge, China has approved only eight novel antibiotics in the last 10 years. Among these antibiotics, tigecycline and ceftazidime-avibactam are the only new drugs that target MDR Gram-negative pathogens.

PRC Regulatory Control over Antibiotic Overuse

In response to the overuse of antibiotics in China, PRC governments and authorities have been issuing a series of laws, regulations and policies to curb the spread of antimicrobial resistance (AMR). The PRC Ministry of Health promulgated the Administrative Measures for the Clinical Use of Antibacterial Drugs (《抗菌藥物臨床應用管理辦法》) in April 2012 to standardize the administration measures for antibacterial drugs of three levels: non-restricted use, restricted use, and special use. The application of antibacterial drugs of non-restricted use shall be prioritized for the prevention of infection and the treatment of mild or partial infection. Antibacterial drugs of restricted use can be applied in very limited circumstances, such as severe infection. The application of antibacterial drugs of special use shall be strictly controlled and it shall not be applied during outpatient service. The PRC National Health and Family Planning Commission, together with another 13 authorities, issued the National Action Plan for Containment of Bacterial Resistance (2016-2020) (《遏制細菌耐藥國家行動計劃(2016-2020年)》) in August 2016 outlining major strategies and actions in the following nine areas with emphasis on the importance of increasing investment in drug-resistant control-related activities and infrastructure: (i) every department shall play their joint roles and perform their perspective duties; (ii) intensify antibacterial research and development efforts; (iii) strengthen the assurance and management of antibacterials supply; (iv) intensify efforts on developing a sound system to monitor and control the use of antibacterials; (v) optimise the antibacterials application and AMR monitoring system; (vi) enhance the medical staff abilities to prevent and control AMR; (vii) strengthen prevention and control of environmental pollution caused by antibacterials; (viii) strengthen efforts on public education and publicity; and (ix) carry out extensive international exchanges and cooperation. The National Health Commission promulgated the Notice on Continuous Control of Clinical Application of Antibacterial Drugs (《關於持續做好抗菌藥物臨床應用管理工作的通知》) in July 2020 to further improve the rational use of antibacterial drugs and strengthen the administration and management of the clinical application of antibacterial drugs.

These circumstances highlight the critical need to bring novel antibiotic products to the market in China that can effectively treat serious infections.

Immunology

Autoimmune diseases are conditions in which the body's immune system reacts against previously protected self-antigens. The immune system causes a systematic reaction by attacking one specific organ or multiple organs. Autoimmune diseases are a significant clinical problem because of their chronic nature, the associated healthcare cost, and their prevalence in young populations during the prime of their working and peak reproductive years. There are roughly 100 different types of autoimmune disorders, which can affect almost any part of the body including the heart, brain, nerves, muscles, skin, eyes, joints, lungs, kidneys, glands, digestive tract, and blood vessels.

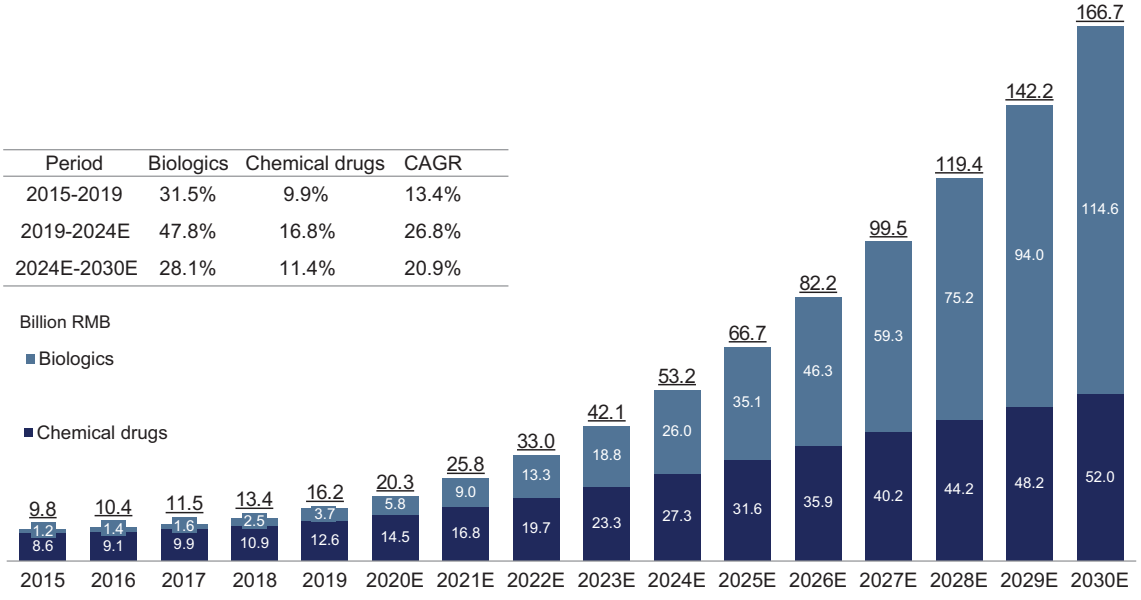
With few exceptions, autoimmune diseases have proven very challenging to treat, and impossible to cure. Although much progress has been made in understanding the mechanism of autoimmune disease and the nature of self-tolerance, effective and highly targeted treatments have proven elusive. Most current therapeutic agents broadly suppress the body's immune system, require continued and sometimes life-long therapy, and result in an increased risk of malignancy and infection.

Autoimmune disease remains a major burden on health systems around the world. Furthermore, it causes substantial social-economic burden in addition to the direct cost of treatment. Patients with autoimmune disease generally suffer from compromised body function, quality of life, productivity and social participation, which together increase burden of individuals, their families and society.

China Autoimmune Market Overview

The most common autoimmune diseases in China are rheumatoid arthritis, atopic dermatitis, psoriasis, ankylosing spondylitis, ulcerative colitis (UC) and Crohn's Disease (CD). In China, the autoimmune disease market was RMB16.2 billion in 2019, and it is expected to grow to RMB53.2 billion in 2024, representing a CAGR of 26.8%. The market is expected to further grow to RMB166.7 billion in 2030, representing a CAGR of 20.9% from 2024 to 2030. The chart below illustrates the historical and forecast size of autoimmune diseases market in China.

Autoimmune Diseases Market in China, 2015-2030E



Source: Frost & Sullivan Analysis

Key Growth Drivers for China Autoimmune Market

Although China has a large patient pool with autoimmune diseases, the market value of TNFα and other biologics is less than 1% that of the United States, mainly due to lack of reimbursement, late market entry and low patient awareness. With recent healthcare reform and accelerated introduction of innovation therapies, the size of the market is expected to grow substantially over the next decade, primarily driven by a combination of the following factors.

Improved Access to Launched Effective Therapies

Several innovative therapies for autoimmune disease have been included in recent NRDL updates, enhancing accessibility of novel autoimmune therapies. In 2017, one innovative autoimmune drug was included through the NRDL "Dynamic Adjustment" mechanism, while in 2019 four more were included. With the expected approval of multiple biosimilar products and potentially more additions to the NRDL, China autoimmune market accessibility is estimated to further improve in the near future.

Emerging Therapies with Better Profile of Efficacy, Safety, and Convenience

While there are currently no cures for autoimmune diseases, the treatment goal is to alleviate inflammation and other symptoms, prevent organ damage and improve overall quality of life.

Currently TNFα inhibitors are effective therapies for a number of autoimmune disease types, however they fail to obtain sufficient response in other types. Furthermore, some patients who initially responded tend to lose response over time due to the development of anti-drug antibodies. Some TNFα inhibitors are also associated with several shortcomings as a life-long therapy, including inconvenient intravenous or subcutaneous formulation and an FDA black-box warning of potential serious infections and malignancy. Current industry research and development is focused on finding novel therapies with better safety profiles and better efficacy, as well as more convenient dosing, such as oral treatments. Emerging therapies are expected to continue to expand the market, providing additional options to patients with better control of disease, better quality of life and less safety concerns.

Increasing Prevalence, Improved Diagnosis and Patient Awareness

The prevalence of some autoimmune diseases such as IBD and allergy have continued to rise in China due to overall economic development and continued urbanization, yet are still less common than in developed countries. However, the continued launch of innovative therapies and the associated medical education by leading physicians and the pharmaceutical industry, as well as the increasing number of specialists for treating autoimmune diseases, has contributed to improved rates of diagnosis. As new therapies become more affordable, both as a result of rising income levels and increasing adoption of innovative drugs into the NRDL, patients have become more focused on quality of life, hence have a higher willingness for treatment.

Inflammatory bowel diseases (IBD)

Overview

Inflammatory bowel diseases, or IBD, are chronic immune-mediated inflammatory conditions of the gastrointestinal tract, which clinically include ulcerative colitis (UC) and Crohn's Disease (CD). IBD is a lifelong disease frequently occurring early in life in both males and females. The inflammation of the intestinal mucosa in IBD is characterized by episodes of abdominal pain, diarrhea, bloody stools, weight loss, and the influx of neutrophils and macrophages that produce cytokines, proteolytic enzymes, and free radicals that result in inflammation and ulceration.

Although the cause of IBD remains unknown, considerable progress has been made in recent years to unravel the pathogenesis of this disease. Studies have provided evidence that the pathogenesis of IBD is associated with genetic factors, environmental factors and immunological abnormalities.

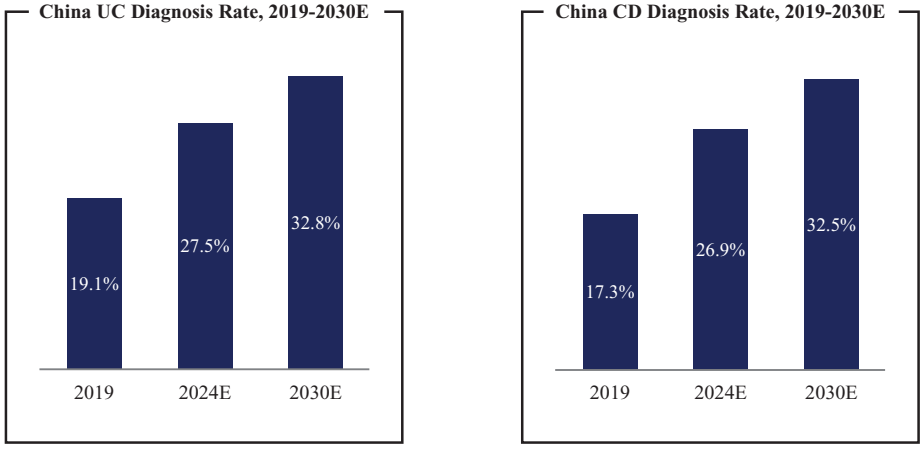
The incidence and prevalence of IBD markedly increased over the second half of the 20th century in some Western countries. Over 1 million residents in the United States and 2.5 million in Europe are estimated to have IBD. Since 1990, the incidence rate of IBD in some Western countries has stabilized, but the incidence rate in newly industrialized countries of Asia, including China, continues to increase.

Symptom, Diagnosis & Prognosis

Ulcerative colitis (UC): UC is a chronic, relapsing inflammatory bowel disease affecting the rectum, and in many instances also affecting part of the entire colon. Patients can develop ulcerative colitis at any age, but the peak age of onset is typically between 30 and 49 years, and the incidence is similar between men and women. The major symptoms of UC are chronic abdominal pain, diarrhea, blood stools, and mucus. Patients who have distal UC may have mild symptoms. However, patients with rectal dysfunction may experience bowel urgency or bowel incontinence, tenesmus, and a sense of incomplete evacuation, all of which can significantly reduce quality of life.

Crohn's Disease (CD): Crohn's Disease is a debilitating and incurable chronic inflammatory bowel disease. It is characterized by mucosal ulceration and inflammation, which may occur anywhere along the gastrointestinal tract but most commonly affect the distal small intestine. Abdominal pain, diarrhea, and weight loss were the most common presentations in patients with CD. The clinical symptoms of CD are typically more severe than UC.

The clinical diagnosis of IBD was established on the basis of clinical symptoms, physical examination, results of intestinal imaging, colonoscopy and histological examination. Diagnosis of both UC and CD are typically confirmed by endoscopy with tissue biopsy, which is typically performed in hospital by gastroenterologist. According to Frost & Sullivan, less than 15% of the population in China who require colonoscopy actually receives colonoscopy, which leads to under-diagnosis of UC and CD. In 2019, diagnosis rate for UC and CD were less than 20%. In the future, the implementation of colonoscopy is expected to grow steadily, driven by medical education, reaching current levels in developed counties by 2030, resulting in the diagnosis rate of over 30%. The chart below sets forth the historical and projected diagnosis rate for UC and CD from 2019 to 2030, both of which are expected to increase.



Source: Frost & Sullivan Analysis

Both conditions represent a significant burden to patients, including hospitalization, surgery, an increased longer-term risk of colon cancer, as well as impaired quality of life, economic productivity and social functioning. The risk of colorectal cancer is increased in patients with extensive disease and surveillance is usually introduced after 8-10 years of disease duration with regular colonoscopies. Extra-intestinal manifestations of UC include primary sclerosing cholangitis, as well as other manifestations in the eye, joint or skin.

The treatment goal for IBD is to induce and then maintain remission, defined as resolution of symptoms and endoscopic healing. Although a number of therapies are approved for the treatment of IBD, they are often associated with an inability to induce or maintain remission, serious side effects, and complicated administration regimens.

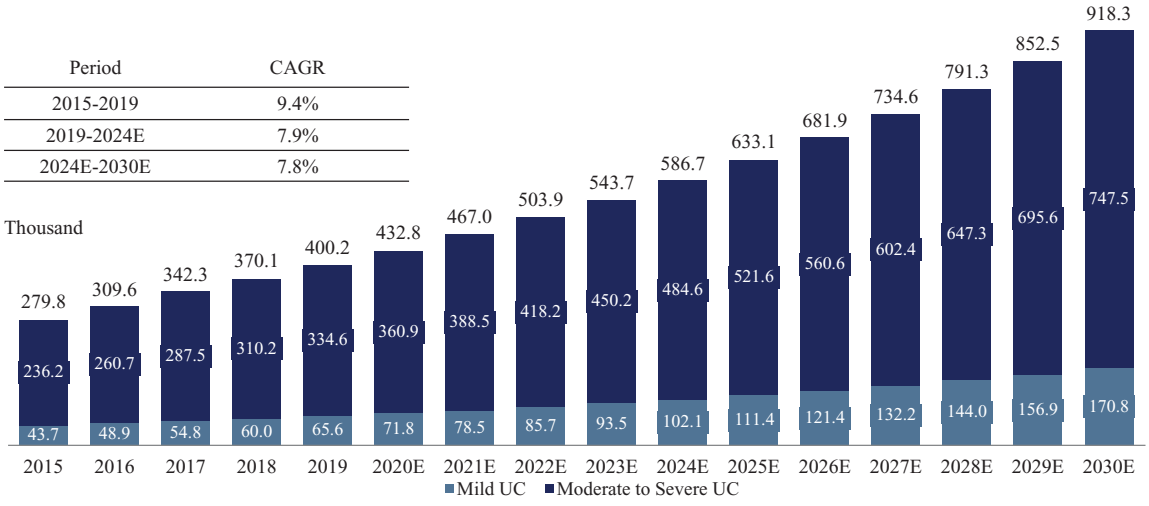
Prevalence

Ulcerative Colitis

The incidence and prevalence of UC have been rising in China. The prevalence of UC in China reached 400.2 thousand in 2019, with a CAGR of 9.4% from 279.8 thousand in 2015. With the

improvement of economic level and more Westernized lifestyle, as well as high-fat and high-protein diet, the number is projected to reach 586.7 thousand in 2024 and 918.3 thousand in 2030, representing CAGRs of 7.9% and 7.8%, respectively. It is expected that with the improvement in diagnosis and better treatments, the proportion of patients with moderate to severe UC will decrease slightly, but will still comprise over 80% of total UC patients. The prevalence of ulcerative colitis in some other Asian countries have also been on the rise. For instance, UC prevalence rate in Japan per 100,000 population increased from 63.3 in 2005 to 172.9 in 2014, which represents a CAGR of 11.8% from the period of 2005 to 2014. The chart below illustrates the historical and forecast prevalence of UC in China.

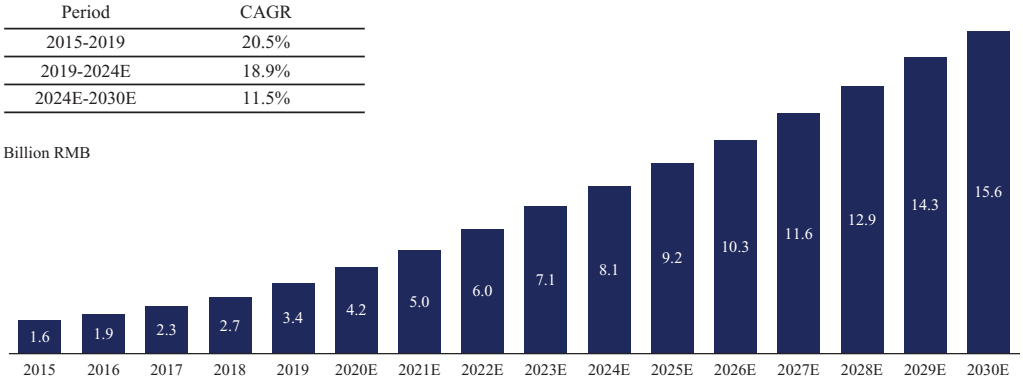
Prevalence of Ulcerative Colitis in China, 2015-2030E



Source: Literature review, Frost & Sullivan analysis

In China, the UC market was RMB3.4 billion in 2019, and it is expected to grow to RMB8.1 billion in 2024, representing a CAGR of 18.9%. The market is expected to further grow to RMB15.6 billion in 2030, representing a CAGR of 11.5% from 2024 to 2030. The chart below illustrates the historical and forecast size of China's UC therapeutic market.

China Ulcerative Colitis Therapeutics Market Size, 2015-2030E



Source: Frost & Sullivan analysis

Crohn's Disease

The prevalence of CD in China increased from 81.1 thousand in 2015 to 133.8 thousand in 2019, representing a CAGR of 13.3%. The prevalence is predicted to reach 202.0 thousand in 2024, representing a CAGR of 8.6% from 2019 to 2024, and 282.7 thousand in 2030, representing a CAGR of 5.8% from 2024 to 2030.

Treatment & Competitive Landscape

See "Business—Current Treatment Options and Their Limitations" and "Business—Market Opportunity in China" under etrasimod for more information.

Atopic Dermatitis

Overview

Atopic Dermatitis, or AD, is a serious, chronic, recurrent, immune-mediated skin disorder characterized by dry skin, pruritus or severe itching, rash, and relapsing lesions. AD is the most common type of eczema. Atopic dermatitis has a multifactorial etiology involving immune and epidermal barrier components, which are influenced by genetic and environmental factors. Persistent underlying inflammation and barrier dysfunction are key drivers of eczematous lesions and pruritus, which are the hallmarks of atopic dermatitis.

Symptom, Diagnosis & Prognosis

Atopic dermatitis is characterized by recurrent eczematous lesions, red patches with exudation, blistering and crusting at early stages, with scaling and thickening, intense itching and discomfort at later stages. Opportunistic bacterial infection is quite common in AD, as atopic dermatitis sufferers also seem to have a reduced ability to fight against common bacteria on the skin. AD is an extremely heterogenous disease with a wide spectrum of clinical features ranging from minimal flexural eczema to erythroderma with erythema (redness) affecting >90% of the body surface.

The diagnosis of AD is made clinically and is based on historical features, morphology and distribution of skin lesions, and associated clinical signs. Formal sets of criteria, such as Hanifin & Rajka standard, Williams standard etc. have been developed by various groups to aid in classification, About 40-80% of AD patients have family history of allergy and many of them suffer from asthma or nasosinusitis at the same time.

Patients with moderate to severe atopic dermatitis present with a high level of disease burden, including skin lesions, intense pruritus, and impact on health-related quality-of-life components, such as sleep and symptoms of anxiety and depression. AD can cause diminished self-esteem and poor performance at school and work and can have a detrimental effect on the lives of patients and their families throughout the lifespan.

Prevalence

The prevalence of atopic dermatitis in China was 61.5 million in 2019 and is predicted to reach 63.9 million in 2024, representing a CAGR of 0.8% from 2019 to 2024, and then 65.9 million in 2030, representing a CAGR of 0.5% from 2024 to 2030.

Treatment & Competitive Landscape

See "Business—Current Treatment Options and Their Limitations" and "Business—Market Opportunity in China" under etrasimod for more information.

Cardio-renal Disease

Cardio-renal diseases encompass a spectrum of disorders involving either the heart, kidney, or both, a condition known as cardio-renal syndrome. In 2017, around 20 million people globally died from cardio-renal diseases, including chronic kidney disease (CKD) and cardiovascular disease (CVD), making them the leading causes of death across the globe.

In China, cardio-renal diseases are also among the most frequent reasons of mortality and are significantly undertreated. Innovative therapies with new mechanism of action that can improve organ function and/or modify disease progression for hard-to-treat cardio-renal diseases have substantial growth potential in China.

Overview of Chronic Kidney Disease (CKD)

Chronic kidney disease (CKD) is a condition in which the kidneys are damaged and cannot properly filter blood. Kidney function in patients with CKD usually gets worse over time and can progress to kidney failure requiring dialysis. Depending on kidney function as measured by eGFR, CKD can be classified from stage 1 to 5 with 5 being end stage renal disease (ESRD). There are approximate 119.5 million Chinese living with CKD, and about 1 million living with ESRD, which generally requires either life-long dialysis treatment or kidney transplant. Approximately 50% of CKD patients progress to ESRD within 30 years regardless of the treatment. The cost of dialysis and associated treatment for ESRD patients is significant. In the United States, where CKD and ESRD patients are optimally treated, total Medicare spending on both CKD and ESRD patient care in 2019 was approximately 34% of total Medicare fee-for-service spending.

Underlying Causes of CKD

CKD is caused by a group of underlying kidney diseases or systemic diseases, such as primary glomerulonephritis (GN), diabetes and hypertension. In China, glomerular disease is the main cause leading to dialysis treatment which poses a significant social economic burden on the healthcare system. Since glomerular disease development involves a complex interplay of genetic, epigenetic and environmental factors, its subtype varies in different geographic regions. In patients with glomerular disease confirmed by renal biopsy, the two major subtypes of diseases are IgA nephropathy (IgAN) and membranous nephropathy.

IgA Nephropathy (IgAN)

Overview

IgAN a leading cause of CKD and renal failure, is a chronic, progressive, autoimmune disease associated with progressive renal impairment. Currently, there are no FDA or EMA approved therapies for the treatment of IgAN. Susceptibility to IgAN and risk of disease progression are influenced by a confluence of genetic and environmental factors. A central finding in patients with IgAN is the presence of circulating and glomerular immune complexes comprised of galactose-deficient IgA1, an IgG autoantibody directed against the hinge region O-glycans, and C3. Patients most frequently experience disease onset in their teens to late 30's. 50% of IgAN patients will develop end stage renal disease within 30 years. Glomerular sclerosis, renal interstitial fibrosis, renal dysfunction, proteinuria and hypertension are associated with disease progression. It has been estimated from large natural history studies that from diagnosis approximately 1.5% of patient progress to end stage renal disease per year.

Symptom, Diagnosis & Prognosis

IgAN can be suspected based on medical and family history, physical examination, urine tests and blood test and is typically confirmed by kidney biopsy which is usually performed in Grade 3 hospitals. Urinalysis is the common test to detect hematuria and proteinuria. The amount of protein in the urine is often quantified in a 24-hour urine collection and if the proteinuria is greater than 1g/day, a renal biopsy is usually recommended to understand the pathological changes at nephron level.

The range of clinical manifestations of IgAN is broad, from asymptomatic microscopic hematuria to rapidly progressive GN. In early stages, IgA nephropathy may have no symptoms and be silent for years or even decades. The most common clinical findings are hematuria or foamy urine, or both. Asymptomatic hematuria with minimal proteinuria (i.e. <0.5g/d) may be detected through screening programs. The development of persistent proteinuria is associated with potentially progressive disease. Nephrotic-range proteinuria >3g/d is common in IgAN. IgAN is typically chronic, with rapidly progression rare and most frequently associated with a pathologic finding of >50% of glomeruli exhibiting crescents. In addition to pathologic findings, factors associated with poor prognosis include hypertension, proteinuria, and decreased eGFR at diagnosis.

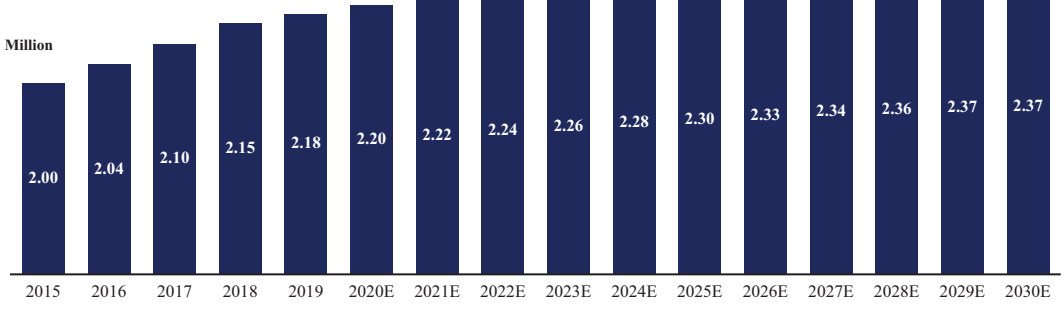
Prevalence

The prevalence of IgAN nephropathy appears to be dependent on geographic, genetic and/or ethnic factors and varies dramatically around the world. A recent observational study (International Kidney Biopsy Survey) of glomerular diseases on four continents that included more than 42,000 glomerular disease diagnoses showed the fraction of IgA nephropathy compared to all glomerular diseases was 6.1% in Latin America, 11.8% in North America, 22.1% in Europe and 39.5% in Asia. An analysis of more than 45,000 kidney biopsies from the Renal Biopsy Registry of Jinling Hospital in Nanjing, China showed IgA nephropathy continues to be the leading cause of primary glomerulonephritis and the proportion of patients with primary glomerulolnephritis who have IgA nephropathy has increased from 45% from 1979-2002 to 53% from 2003-2014.

The prevalence of IgAN in China increased from 2.00 million in 2015 to 2.18 million in 2019, representing a CAGR of 2.2%. The prevalence is projected to reach 2.28 million in 2024, a CAGR of 1.0% from 2019 to 2024, and 2.37 million in 2030, a CAGR of 0.6% from 2024 to 2030. The chart below illustrates the historical and forecast prevalence of IgAN in China.

Prevalence of IgA Nephropathy in China, 2015-2030E

Period	CAGR
2015-2019	2.2%
2019-2024E	1.0%
2024E-2030E	0.6%



Source: Literature review, Frost & Sullivan analysis

Treatment and Competitive Landscape

See "Business—Current Treatment and Their Limitations" and "Business—Market Opportunity in China" under Nefecon for more information.

Pulmonary Arterial Hypertension (PAH)

Overview

Pulmonary arterial hypertension (PAH) is a progressive, life-threatening disorder characterized by increased pressure in the pulmonary arteries that carry blood from the heart to the lungs. It is sometimes referred to by the World Health Organization (WHO) functional classification as group 1 pulmonary hypertension. PAH occurs when the pulmonary arteries thicken or grow rigid. This restricts blood flow through the lungs, causing pulmonary hypertension, and making the heart work harder to pump blood to the lung circulation. The increased pressure strains the heart, which can limit physical activity, eventually resulting in right ventricular heart failure and reduced life expectancy. There is no known cure for PAH.

Symptom, Diagnosis & Prognosis

PAH is a progressive disease and the symptoms usually get worse with time unless treated. Severe shortness of breath is the most frequent initial symptom, followed by fatigue, weakness, chest pains, dizziness, and fainting. These can make it difficult for patients to undertake even mild exercise, especially at later stages of the disease. Patients can also experience peripheral edema, swelling of the ankles and legs. This may also include the face and abdomen in more extreme cases. PAH may also cause a cough, sometimes with hemoptysis. In its advanced stages, severe PAH patients develop symptom of heart failure and cyanosis, or a bluish tinge to the skin due to abnormally low levels of oxygen.

The exact cause of PAH is unknown and although treatable, it is not cured by existing treatment options. Diagnosis of PAH is typically confirmed through right heart catheterization by measuring pulmonary arterial pressure. Echocardiogram is commonly used to assess patients with suspected PAH and as a follow-up tool during subsequent assessment in conjunction with exercise tolerance, such as a 6-minute walk distance measurement. Once PAH is diagnosed, a treatment regimen will be decided individually based on symptoms and risk level assessment.

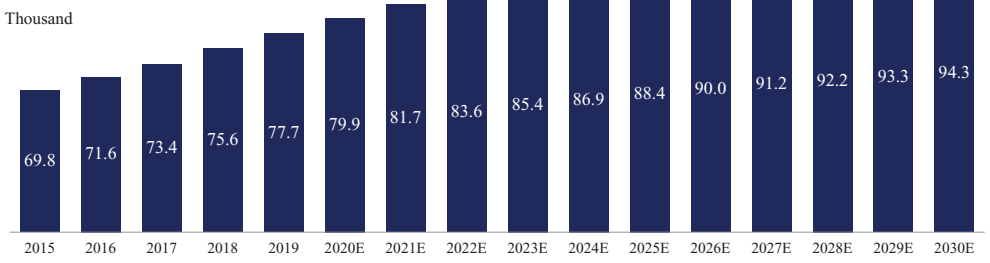
PAH is a serious disease that has a short life expectancy if left untreated. The treatment goal for PAH is to stabilize the symptoms and to preserve heart function from deterioration. Before 2005, there were no PAH specific drugs in China and the one-, three- and five-year survival rates of both idiopathic and familial PAH were 68.0%, 38.9% and 20.8%, respectively. Due to launch of PAH specific drugs starting from 2007, in 2011, the one- and three-year survival rates of idiopathic PAH in China increased to 92.1% and 75.1%, respectively, almost reaching the levels in developed countries. Median survival for optimally treatment PAH patients can be 10 years or longer.

Prevalence

The prevalence of PAH in China reached 77.7 thousand in 2019, representing a CAGR of 2.7% from 69.8 thousand in 2015. This prevalence is projected to reach 86.9 thousand in 2024, with a CAGR of 2.3% from 2019 to 2024, and to 94.3 thousand in 2030, with a CAGR of 1.4% from 2024 to 2030. Congenital heart disease, connective tissue disease, portal hypertension, hemolytic anemia and schistosomiasis may lead to PAH, which may drive further growth of PAH prevalence in China. The chart below illustrates the historical and forecast prevalence of PAH in China.

Prevalence of PAH in China, 2015-2030E

Period	CAGR
2015-2019	2.7%
2019-2024E	2.3%
2024E-2030E	1.4%



Source: Literature review, Frost & Sullivan analysis

The PAH market in China increased from RMB48.5 million in 2015 to RMB321.8 million in 2019 at a CAGR of 60.5% from 2015 to 2019. The market is expected to reach RMB2,742.2 million in 2024, representing a CAGR of 53.5% from 2019 to 2024, and is expected to further reach RMB6,956.9 million in 2030, representing a CAGR of 16.8% from 2024 to 2030.

Competitive Landscape

See "Business—Market Opportunity in China" under ralinepag for more information.

OVERVIEW

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially globally first-in-class or best-in-class therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets. Since the founding of our Company in 2017, we have created a scalable platform, assembled an experienced and visionary management team, and built a portfolio of eight promising clinical-stage drug candidates across oncology, immunology, cardio-renal disease, and infectious disease.

We have established subsidiaries in China to facilitate our research and development, and recently entered into a strategic agreement for the establishment of manufacturing capabilities. We received three series of equity financing to support our expanding business operations, and acquired Everest II in August 2019 to further strengthen our platform.

Key business milestones

The following is a summary of our Group's key business milestones:

Year	Event
2017	Series A financing raises US$50 million Licensing agreement with Arena on etrasimod and ralinepag
2018	Series B financing raises US$60 million Licensing agreement with Tetraphase on eravacycline Licensing agreement with Novartis on FGF401 First IND submission and first IND approval for eravacycline
2019	Acquired Everest II and its licenses on sacituzumab govitecan, Nefecon, taniborbactam and SPR206 IND approval in China for Nefecon in IgA Nephropathy Initiate trial for eravacycline in complicated intra-abdominal infections Initiate trial for etrasimod in ulcerative colitis Initiate trial for taniborbactam in complicated urinary tract infections Initiate trial for ralinepag in pulmonary arterial hypertension
2020	Series C financing raises US$310 million IND approval in China for FGF401 in advanced or metastasic solid tumors IND approval in China for sacituzumab govitecan in 3L mTNBC First NDA approval in Singapore for eravacycline in complicated intra-abdominal infections Strategic cooperation with Jiashan government to establish manufacturing capabilities Initiate trial for FGF401 in combination with pembrolizumab in patients with advanced solid tumors

CORPORATE DEVELOPMENT OF OUR GROUP

Our major subsidiaries and operating entities

The principal business activities, date of incorporation and date of commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Company	Principal business activities	Date of incorporation and commencement of business
Everest Medicines (Suzhou) Inc. *(PRC)*	Research, development and commercialization of innovative therapies	11 October 2017
EverID Medicines (Beijing) Limited *(PRC)*	Research, development and commercialization of innovative therapies	30 March 2018
Everstar Medicines (Shanghai) Limited *(PRC)*	Research, development and commercialization of innovative therapies	16 April 2018
EverNov Medicines (Zhuhai Hengqin) Co., Ltd. *(PRC)*	Research, development and commercialization of innovative therapies	13 February 2019

Establishment of business development, product development and commercial operations

We incorporated Everest Medicines (US) Limited in September 2017 as a base for business development and alliance management activities. We established three principal research and development companies in China between October 2017 and April 2018, namely Everest Medicines (Suzhou) Inc., EverID Medicines (Beijing) Limited and Everstar Medicines (Shanghai) Limited. We incorporated Everest Medicines (Singapore) Pte. Ltd. in November 2018 for international market activities.

We also incorporated EverNov Medicines Limited in June 2018, which then issued preferred shares to Novartis Pharma AG as part of the exclusive global licensing agreement to develop and commercialize FGF401, see "Business—Overview of our license agreements—FGF401" for details, such that we held 92.16% and Novartis Pharma AG held 7.84% of the issued shares of EverNov Medicines Limited. Our fourth research and development company, namely EverNov Medicines (Zhuhai Hengqin) Co., Ltd., was then incorporated in February 2019 as an indirect subsidiary of EverNov Medicines Limited.

Termination of collaboration with I-Mab and disposal of TJ202

In early 2018, we entered into an agreement with I-Mab to collaborate in the development of a proprietary CD38 antibody, TJ202, in the Greater China region. The agreement was mutually terminated in November 2019 as we opted to focus on other drug candidates. In consideration for such termination, we were issued 6,078,571 ordinary shares (equivalent to 2,642,857 American depository shares) of I-Mab in January 2020 for a total deemed consideration of US$37.0 million, representing our historical cost contribution and associated time cost. I-Mab (NASDAQ: IMAB) has been listed in the United States since January 2020 and is an investee company of CBC Group, our Controlling Shareholders. We do not retain any rights or entitlements to develop or commercialize TJ202 or any economic interest in the commercialisation of TJ202.

REORGANIZATION

Major Acquisition—Acquisition of Everest II

Everest Medicines II Limited ("**Everest II**") was originally incorporated by CBC Group in August 2018 as a platform for the licensing, developing and commercialization of pharmaceutical drug

candidates. As at August 2019, Everest II held licenses for sacituzumab govitecan, taniborbactam, Nefecon and SPR206, see "Business—Overview of our license agreements" for details. Since its incorporation, Everest II has been under the same management as our Group, the licensing and clinical development of Everest II's drug candidates had been carried out by our Group, and Everest II and its subsidiaries have never established any substantial operations.

In order to house under our Company the already jointly managed Everest and Everest II operations, on 16 August 2019, we entered into an agreement and plan of merger with, among others, Everest II for the merger of Everest II and Everest Subsidiary Limited (then a wholly-owned subsidiary of our Company). Everest II would continue as the surviving company in consideration for the issuance by us of 58,746,537 shares (in proportion to the shareholdings of the then shareholders of Everest II). Set out below are the shareholders of Everest II, the then shareholding of Everest II shareholders and their respective considerations:

Shareholder	Shareholding in Everest II prior to merger	Consideration shares issued by us
C-Bridge IV Investment Two Limited	103,000,000 series A preferred shares	38,362,045 Series B-3 Preferred Shares
Everest Management Holding Co., Ltd.	54,231,250 ordinary shares	20,198,268 ordinary shares
Biotec Investments Limited	500,000 ordinary shares	186,224 ordinary shares

The consideration shares were fully issued on 25 November 2019, and on the same day we became the sole shareholder of Everest II. The consideration reflected a specified merger ratio between our then Group and Everest II (together with its subsidiaries), which was determined by our then Directors after assessing their fair market value after taking into account cost of development, probability of success, and commercial potential of the drug candidates licensed by each of the parties.

Everest II filed a Plan of Merger and obtained the Certificate of Merger on 25 November 2019. Save as set out above, no approval, order, consent of, or filing with, any governmental authority was required on the part of our Company in connection with the execution, delivery and performance of the agreement and plan of merger.

See Appendix I for the audited financial information of Everest II from its incorporation until 25 November 2019, "Financial information—Financial information of Everest II" for a discussion of the historical financial information of Everest II and Appendix II for the unaudited pro forma financial information of our Group following completion of the acquisition of Everest II.

Previous plans for US listing

In 2019, we explored a potential listing in the U.S., and filed a confidential draft registration statement (the "**Registration Statement**") with the U.S. SEC for its review. We decided not to proceed with such plan and pursued a Listing in Hong Kong after observing the successful implementation of Chapter 18A of the Listing Rules (which provides an avenue for pre-revenue biotechnology companies to list in Hong Kong), considering the maturing biotechnology investment ecosystem in Hong Kong and in light of the center of gravity of the business being in Greater China and other emerging Asia Pacific markets.

At the time when such U.S. listing plan was discontinued, we had received one round of customary disclosure-related comments as part of the U.S. SEC's review process (including for example, clarifying our competitive position in the industry, clarifying details relating to the clinical trials of

certain of our drug candidates, clarifying the accounting treatments under U.S. SEC reporting rules for certain transactions of our Group, substantiating certain descriptions of our drug candidates, and clarifying certain details relating to the licensing agreements entered into by us), which comments have been considered and addressed, to the extent applicable, in the preparation of this document. We believe, and the Joint Sponsors concur, that the comments from the U.S. SEC did not raise any material issues and that we would have had no material difficulty in resolving them. Our Directors and the Joint Sponsors further confirm that there are no matters in relation to our Group's previous listing plan in the U.S. that would affect our suitability for Listing or that should be reasonably brought to the attention of the investors and regulators in Hong Kong.

Strategic partnership with Jiashan County

On 17 March 2020, we and Jiashan Shanhe, a company controlled by Jiashan County State-owned Asset Investment Co., Ltd., entered into an investment agreement, pursuant to which Jiashan Shanhe invested US$100 million, including US$50 million Series C-1 investment (as detailed in "—Pre-IPO Investments" below) and US$50 million cash investment towards the registered capital of our subsidiary, Everest China subject to a redemption right starting in the fourth year of the date of investment at a pre-agreed rate of return.

Our subsidiary, Everest China was established on 3 April 2020 in Zhejiang Jiashan Economic Development Zone (浙江省嘉善縣經濟開發區). Jiashan is a county in Zhejiang Province that borders Shanghai and allows easy access to downtown Shanghai. Everest Medicines (China) Co., Ltd. is the holding company for our operations in China, and we plan to establish a global manufacturing site in Jiashan Economic Development Zone. Our three principal research and development companies, namely Everest Medicines (Suzhou) Inc., EverID Medicines (Beijing) Limited and Everstar Medicines (Shanghai) Limited, were transferred to this subsidiary on 15 June 2020, 8 June 2020 and 18 June 2020, respectively.

We wholly own the economic interest to Everest China and consolidate 100% of its financial results as Jiashan Shanhe's contribution of registered capital is treated as borrowings in our financial statement (see also note 32 to the Accountant's Report in Appendix I for details) notwithstanding its 37.04% interest in the registered capital as a result of its cash investment. Under the investment agreements, each party has right to initiate the redemption of Jiashan Shanhe's registered capital in the subsidiary starting in the fourth year of the date of the investment at a pre-agreed rate of return. Also, we have complete control over the operations of our subsidiary since Jiashan Shanhe has foregone various rights in respect of the subsidiary including: appointment of any directors, voting rights at shareholders' meetings and receipt of dividend. Under the terms of its investment agreements in Everest China, Jiashan Shanhe has been granted certain rights in respect of the subsidiary including: redemption of its investment, information rights, right to appoint an observer to attend board meetings, co-sale right and liquidation preference right.

SHAREHOLDING OF OUR COMPANY

Incorporation and establishment

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 July 2017. Upon its incorporation, the authorized share capital of our Company was US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each. At the time of incorporation, our Company issued one ordinary share with a par value of US$0.0001 to an Independent Third Party for a consideration of US$0.0001. On the same day, the one ordinary share

was transferred to C-Bridge Investment Everest Limited and C-Bridge Investment Everest Limited additionally subscribed for 49,999,999 ordinary shares for a consideration of US$4,999.9999. Such 50 million ordinary shares were replaced with Series A-1 Preferred Shares on 23 November 2017 pursuant to the series A financing. See "—Pre-IPO Investments" for details.

Capitalization

The below table is a summary of the capitalization of our Company as of the date of this document, unless otherwise indicated:

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Ownership percentage as of the date of this document [1]	Ownership percentage immediately after completion of the Global Offering [2]
Everest Management Holding Co., Ltd.	24,005,392	—	—	—	—	—	—	—	10.90%	8.46%
Biotec Investments Limited	686,224	—	—	—	—	—	—	—	0.31%	0.24%
Angus Investments Limited	167,073	—	—	—	—	—	—	—	0.08%	0.06%
Angus Capital Holdings Limited	167,073	—	—	—	—	—	—	—	0.08%	0.06%
C-Bridge Investment Everest Limited	—	50,000,000	—	—	—	—	—	—	22.71%	17.62%
Tetrad Ventures Pte Ltd	—	—	3,333,333	5,555,556	—	—	—	—	4.03%	3.13%
C-Bridge II Investment Eight Limited	—	—	—	9,722,222	—	—	—	—	4.42%	3.43%
Palace Investments Pte. Ltd.	—	—	—	—	1,736,111	—	—	1,388,889	1.42%	1.10%
C-Bridge IV Investment Two Limited	—	—	—	—	—	38,362,045	—	—	17.43%	13.52%
Shanhe Holding Co., Limited	—	—	—	—	—	—	13,888,889 [3]	—	6.31%	4.90%
C-Bridge IV Investment Nine Limited	—	—	—	—	—	—	—	15,277,778	6.94%	5.39%
Janchor Partners Pan-Asian Master Fund	—	—	—	—	—	—	—	9,774,342	4.44%	3.45%
Janchor Partners Opportunities Master Fund II	—	—	—	—	—	—	—	3,420,102	1.55%	1.21%
RA Capital Healthcare Fund, L.P.	—	—	—	—	—	—	—	7,430,461	3.38%	2.62%
Blackwell Partners LLC—Series A	—	—	—	—	—	—	—	902,872	0.41%	0.32%
RA Capital Nexus Fund, L.P.	—	—	—	—	—	—	—	2,777,778	1.26%	0.98%
SPR—III Holdings Limited	—	—	—	—	—	—	—	6,944,444	3.15%	2.45%
Decheng Capital China Life Sciences USD Fund III, L.P.	—	—	—	—	—	—	—	4,166,667	1.89%	1.47%

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Ownership percentage as of the date of this document [1]	Ownership percentage immediately after completion of the Global Offering [2]
Beverly Sunshine Holdings Corporation Limited	—	—	—	—	—	—	—	4,166,667	1.89%	1.47%
BlackRock Health Sciences Master Unit Trust	—	—	—	—	—	—	—	53,000	0.02%	0.02%
BlackRock Health Sciences Trust II	—	—	—	—	—	—	—	3,113,667	1.41%	1.10%
BlackRock Global Funds—World Healthscience Fund	—	—	—	—	—	—	—	1,000,000	0.45%	0.35%
Janus Henderson Global Life Sciences Fund	—	—	—	—	—	—	—	1,779,419	0.81%	0.63%
Janus Henderson Capital Funds plc—Janus Henderson Global Life Sciences Fund	—	—	—	—	—	—	—	1,193,147	0.54%	0.42%
Janus Henderson Biotech Innovation Master Fund Limited	—	—	—	—	—	—	—	499,656	0.23%	0.18%
Cormorant Private Healthcare Fund II, LP	—	—	—	—	—	—	—	2,244,167	1.02%	0.79%
Cormorant Global Healthcare Master Fund, LP	—	—	—	—	—	—	—	533,611	0.24%	0.19%
Rock Springs Capital Master Fund LP	—	—	—	—	—	—	—	2,083,333	0.95%	0.73%
Four Pines Master Fund LP	—	—	—	—	—	—	—	416,667	0.19%	0.15%
Octagon Investments Master Fund LP	—	—	—	—	—	—	—	1,388,889	0.63%	0.49%
Bridge Investment Project E Limited	—	—	—	—	—	—	—	1,388,889	0.63%	0.49%
HBM Healthcare Investments (Cayman) Ltd.	—	—	—	—	—	—	—	277,778	0.13%	0.10%
Matthew Caldemeyer	78,744	—	—	—	—	—	—	—	0.04%	0.03%
Yin Yin	68,504	—	—	—	—	—	—	—	0.03%	0.02%
Jason Brown	150,000	—	—	—	—	—	—	—	0.07%	0.05%
Investors participating in the Global Offering	—	—	—	—	—	—	—	—	—	22.40%
Total	***25,323,010***	***50,000,000***	***3,333,333***	***15,277,778***	***1,736,111***	***38,362,045***	***13,888,889***	***72,222,223***	***100%***	***100%***

Notes:

(1) Assuming all Preferred Shares are converted into Shares based on their respective conversion terms as disclosed in this document.

(2) Assuming all Preferred Shares are converted into Shares based on their respective conversion terms as disclosed in this document upon the Global Offering becoming unconditional and the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes.

(3) Shanhe Holding Co., Limited will hold 13,888,889 Shares on an as-converted basis, in respect of the 11,111,111 Series C-1 Preferred Shares issued to it at an initial conversion price of US$4.5 each as such conversion price was adjusted to US$3.6 each in light the subsequent issuance of the Series C-2 Preferred Shares at such lower cost per share.

PRE-IPO INVESTMENTS

Principal terms of the Pre-IPO Investments

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

Series	A-1	A-2	B-1	B-2	C-1	C-2
Date of investment	23 November 2017	30 May 2018[1]	30 May 2018	30 May 2018	16 March 2020	29 May 2020
Total consideration paid	US$50 million	approximately US$10 million	US$55 million	US$5 million	US$50 million	approximately US$260 million
Approximate valuation[2]	US$50 million	US$253 million[3]	US$253 million[3]	US$253 million[3]	US$531 million[4]	US$786 million[5]
Cost per share paid	US$1.00 per Series A-1 Preferred Share	US$3.00 per Series A-2 Preferred Share	US$3.60 per Series B-1 Preferred Share	US$2.88 per Series B-2 Preferred Share	US$3.60 per Series C-1 Preferred Share[6]	US$3.60 per Series C-2 Preferred Share
Date on which investment was fully settled	23 November 2017	31 December 2018	8 June 2018 and 2 July 2018[7]	3 June 2018	8 May 2020	3 June 2020
Discount to the Offer Price[8]	85%	56%	47%	57%	47%	47%
Basis of consideration	The basis of determination for the consideration for the Pre-IPO Investments was arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.					
Use of Proceeds from the Pre-IPO Investments	We utilized the proceeds for the business expansion, capital expenditure, investment and general working capital needs of our Company. As of the Latest Practicable Date, the majority of the net proceeds from the Pre-IPO Investments had been transferred and utilized by our operating subsidiaries.					
Lock-up	The Pre-IPO Investors are not subject to lock-up under the terms of the Pre-IPO Investments. See "Underwriting" for details of other lock-up arrangements pursuant to contract and the Listing Rules.					
Strategic benefits of the Pre-IPO Investors	At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience.					

Notes:

(1) On 30 May 2018, Tetrad Ventures Pte Ltd purchased a warrant to purchase 3,333,333 Series A-2 Preferred Shares. Such warrant was exercised on 30 August 2018, and the Series A-2 Preferred Shares were allotted on 31 December 2018.

(2) The corresponding valuation is calculated based on the proposed post-money capitalization of the Company at the time of investment, which excludes shares then expected to be issued pursuant to share option and/or award schemes.

(3) The increased implied valuation for Series A-2, Series B-1 and Series B-2 as compared to Series A-1 reflects the increase in our fair market value due to licensing of the first four product candidates, and the built up of the initial product development team.

(4) The increased implied valuation for Series C-1 as compared to Series B-2 reflects additional Preferred Shares issued in connection with closing of the merger with Everest II.

(5) The increased implied valuation for Series C-2 as compared to Series C-1 reflects additional Preferred Shares issued in connection with the closing of Series C-2. The implied valuation of Series C-2 taking into account shares then expected to be issued pursuant to share option and/or award schemes is approximately US$890 million.

(6) The Series C-1 Preferred Shares were issued at an initial conversion price of US$4.5 each. Such conversion price was adjusted in accordance with any lower conversion price of subsequently issued shares. In light of issuance of the Series C-2 Preferred Shares at US$3.6 per Series C-2 Preferred Share, each Series C-1 Preferred Share will be converted at an effective price of US$3.6.

(7) A second Series B-1 closing was held on 2 July 2018 at which, pursuant to the Series B share purchase agreement, C-Bridge II Investment Eight Limited purchased an additional 6,944,444 Series B-1 Preferred Shares for a consideration of US$25 million.

(8) Assuming the Offer Price is fixed at HK$52.50, being the mid-point of the indicative Offer Price range, based on the expected issuance of 63,547,000 Shares immediately upon completion of the Global Offering (including completion of the conversion of the Preferred Shares into ordinary shares to be effected prior to Listing) and assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes.

Special rights of the Pre-IPO Investors

Certain special rights were granted to our Pre-IPO Investors under, among other things, the Fifth Amended and Restated Memorandum and Articles of Association and the Third Amended and

Restated Shareholders Agreement. No such special rights granted to the Pre-IPO Investors will survive after the Listing, in compliance with Guidance Letter HKEX-GL43-12 issued by the Stock Exchange.

Public float

CBC Group holds 62.40% equity interest in our Company immediately prior to completion of the Global Offering, and will hold 49.98% upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes, and having considered CBC Group's subscription for the Offer Shares as a cornerstone investor as more particularly set out in "Cornerstone Investors" and assuming the Offer Price of HK$52.50 per Share, being the mid-point of the indicative Offer Price range of HK$50.00 to HK$55.00). CBC Group will be a substantial shareholder of our Company upon Listing, and the Shares it holds will accordingly not be considered as part of the public float.

Except as stated above, the Shares held by other Pre-IPO Investors will constitute part of the public float.

Information on the Pre-IPO Investors

CBC is one of the largest and most active healthcare-dedicated investment platforms in Asia with a focus on platform building and buyout opportunities. CBC invests in and builds champions in major healthcare sectors including pharmaceutical, biotech, medical technology and healthcare services while strategically adding value to the portfolio companies through an operationally-intensive approach. See the paragraph headed "—Corporate Structure before the Global Offering" for further details of the ownership structure of CBC Group. CBC Group participated in our series A-1, B-1 and C-2 pre-IPO financings.

Tetrad Ventures Pte Ltd is a limited company established in Singapore. It is wholly-owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte. Ltd. GIC Special Investments Pte. Ltd. is wholly-owned by GIC Private Limited. GIC Private Limited is a limited company established in Singapore, a global asset management company established in 1981 to manage the foreign reserves of Singapore, and invests well over US$100 billion globally in a wide range of assets classes and instruments.

Palace Investments Pte. Ltd. is an investment holding company, and is a wholly-owned indirect subsidiary of Pavilion Capital Holdings Pte. Ltd. ("**Pavilion Capital**"). Pavilion Capital is a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"), and is an independently-managed Temasek portfolio company. Temasek is not involved in the business or operating decisions of Pavilion Capital or Palace Investments Pte. Ltd..

Shanhe Holding Co., Limited is a company incorporated in the British Virgin Islands and wholly-owned by Jiashan Shanhe, a company established in the PRC. Jiashan Shanhe is controlled by Jiashan County State-owned Asset Investment Co., Ltd..

Janchor Partners Pan-Asian Master Fund and Janchor Partners Opportunities Master Fund II are investment funds established in the Cayman Islands and managed by Janchor Partners Limited, a company licensed by the SFC to conduct asset management (together "**Janchor Partners**"). Established in 2009, Janchor Partners is a long-term industrialist investor, partnering with companies that have superior business models, favorable growth prospects and the potential to be part of long-term positive structural dynamics of Asian countries and economies. Janchor Partners is an experienced institutional investor with a track record of investing in healthcare companies.

Each of RA Capital Healthcare Fund, L.P. and RA Capital Nexus Fund, L.P. is an affiliate of RA Capital Management, L.P.. Blackwell Partners LLC—Series A is a separately managed account. RA

Capital Management, L.P. serves as investment manager of RA Capital Healthcare Fund, L.P., RA Capital Nexus Fund, L.P. and Blackwell Partners LLC—Series A. RA Capital Management L.P. is a limited partnership formed in Delaware. The firm is a multi-stage investment manager dedicated to evidence-based investing in public and private healthcare and life science companies developing drugs, medical devices, and diagnostics.

Hillhouse Capital Management, Ltd. ("**Hillhouse Capital**") acts as the sole management company of Hillhouse Fund IV, L.P., which owns SPR—III Holdings Limited, an exempted company incorporated under the laws of Cayman Islands. Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

Decheng Capital China Life Sciences USD Fund III, L.P. is an Exempted Limited Partnership registered in the Cayman Islands, the general partner of which is Decheng Capital China Management III (Cayman), LLC ("**Decheng**"), a Limited Liability Company registered in the Cayman Islands. Dr. Min Cui is the founder and managing director of Decheng. Decheng primarily pursues investments in biopharmaceuticals, medical devices, diagnostics, and life science tools, healthcare services, digital health, agricultural biotechnologies, and industrial biotechnologies.

Beverly Sunshine Holdings Corporation Limited is the investment vehicle of Zhejiang Manufacturing Fund LLP, which, as part of Guoxin Guotong Fund LLP (collectively "**GT Fund**"), is a private equity fund incorporated in Hangzhou, China, in 2017 with total size of RMB 10 billion. It has the mandate to provide capital and professional support to industrial partners in the region. GT Fund specializes in overseas investment projects following the principles of market-orientation, professionalism and internationalization and is actively investing in the field of healthcare, advanced manufacturing, clean energy, etc. GT Fund's portfolio of investments seeks to provide superior risk-adjusted returns to its co-investors as well as limited partners. Guoxin Guotong Fund LLP is a private equity fund established in 2016 with total size of RMB 150 billion.

BlackRock Health Sciences Master Unit Trust, BlackRock Health Sciences Trust II and BlackRock Global Funds—World Healthscience Fund are managed by investment subsidiaries of BlackRock, Inc. ("**BlackRock**"), which have discretionary investment management power over the respective BlackRock Funds. BlackRock is listed on the New York Stock Exchange (NYSE: BLK). As of 31 March 2020, the firm managed approximately US$6.47 trillion in assets on behalf of investors worldwide.

Janus Henderson Global Life Sciences Fund, Janus Henderson Capital Funds plc—Janus Henderson Global Life Sciences Fund and Janus Henderson Biotech Innovation Master Fund Limited are managed by Janus Henderson Investors. Janus Henderson Investors is a leading global active asset manager with US$294.4 billion assets under management as of 31 March 2020. Janus Henderson was formed in 2017 from the merger of two complementary businesses that trace their roots back much further. US-based Janus Capital Group was founded in 1969 and had a strong research-based approach. Henderson Global Investors was founded in the UK in 1934 and also offered largely bottom-up,

analysis-based strategies. The core client bases of each group were regionally distinct and the merger of equals formed a truly global platform—global in capabilities and global in mindset. Janus Henderson Investors exists to help clients achieve their long-term financial goals.

Cormorant Global Healthcare Master Fund, LP and Cormorant Private Healthcare Fund II, LP are managed by Cormorant Asset Management, LP ("**Cormorant**"), whose chief executive officer is Ms. Bihua Chen. Cormorant is an investment adviser registered with the SEC, focusing on investments in publicly traded, crossover round, and early stage companies in the biotech, healthcare, and life science research industries.

Each of Rock Springs Capital Master Fund LP ("**Rock Springs**") and Four Pines Master Fund LP ("**Four Pines**") is a Cayman Islands exempted limited partnership which pursues an investment strategy focused primarily on investing in companies in the healthcare and healthcare-related industries. The investment activities of Rock Springs and Four Pines are managed by Rock Springs Capital Management LP, an investment advisory firm that is led by a team of well-known healthcare industry investors with significant experience investing together.

Octagon Investments Master Fund LP ("**Octagon Investments**") is an exempted limited partnership formed under the laws of the Cayman Islands and operating as a private investment fund. Octagon Capital Advisors LP ("**Octagon Capital**"), a Delaware limited partnership and registered investment advisor with the U.S. SEC, serves as the investment manager to Octagon Investments. Founded in 2019, Octagon Capital is a multi-stage investment manager dedicated to evidence-based investing in public and private healthcare companies. Octagon Capital strives to build concentrated, long-term investments and work with our portfolio management teams as partners. Octagon Capital manages capital on behalf of global institutions such as university endowments, non-profit foundations, family offices and established asset managers.

Bridge Investment Project E is wholly-owned by Mr. Yanxiang Lu. Mr. Lu is currently managing director, head of MedTech and Medical Services at CBC Group, having previously worked at Fosun, Carlyle Group, Kaisen Capital, Nomura, Lehman Brothers and Temasek. Mr. Lu is a passive investor and is not involved in either the day-to-day operations of our Group or in any the decisions by CBC Group relating to our Company.

HBM Healthcare Investments was founded in 2001 and invests in the healthcare sector. The Company holds and manages an international portfolio of promising companies in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. Many of these companies have their lead products already available on the market or at an advanced stage of development. The portfolio companies are closely tracked and actively guided in their strategic direction. This is what makes HBM Healthcare Investments an interesting alternative to investments in big pharma and biotechnology companies. HBM Healthcare Investments has an international shareholder base and is listed on SIX Swiss Exchange (SIX: HBMN).

Save as disclosed above, each of the Pre-IPO Investors is an Independent Third Party.

Compliance with Stock Exchange guidance

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form, to the Listing Department of the Stock Exchange in relation to the Listing and (ii) all special rights granted to the Pre-IPO Investors will not survive Listing, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance

with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010, as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

COMPLIANCE WITH PRC LAWS

Our PRC Legal Adviser has confirmed that the PRC companies in our Group as described in this section have been duly established and all regulatory approvals and permits in respect of the incorporation and share transfer of the PRC companies as described in this section have been obtained in accordance with PRC Laws.

SAFE registration in the PRC

According to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles 《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(the "**SAFE Circular 37**"), PRC residents shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, or a special purpose vehicle, 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. The SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

As of the Latest Practicable Date, Zhu Zhengying, Li Weiping and Zhang Jing (as PRC residents as defined under the SAFE Circular 37) have completed their respective registration under the SAFE Circular 37.

M&A Rules

According to the 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》(the "**M&A Rules**"), a foreign investor is required to obtain necessary approvals from MOFCOM or the department of commerce at the provincial level when:

(i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or

(ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

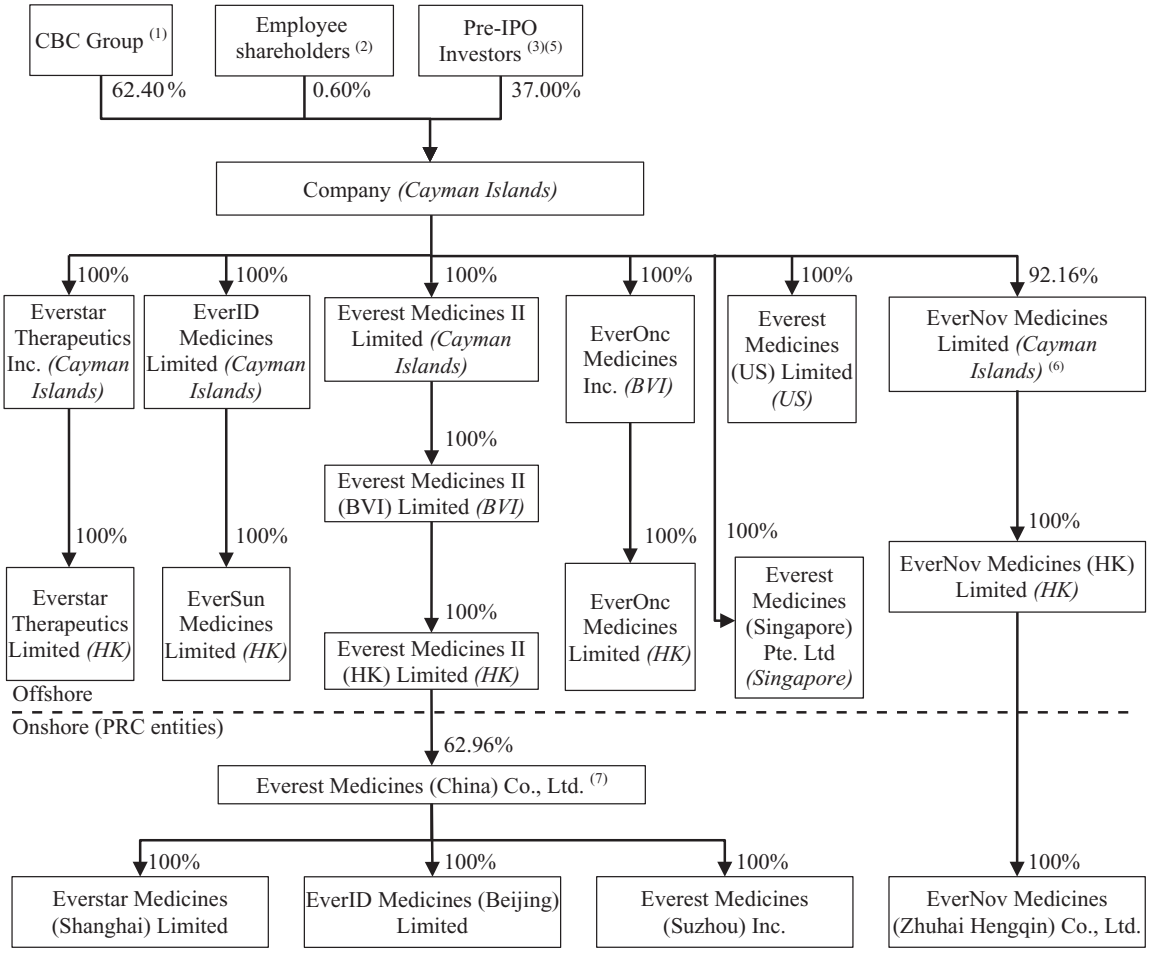
The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC

companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. Our PRC Legal Adviser is of the opinion that prior CSRC approval for the Global Offering is not required because none of the incorporation or acquisition of the PRC subsidiaries of the Group involves the merger with or acquisition of the equity or asset of a PRC domestic enterprise, as described under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser.

CORPORATE STRUCTURE

Corporate structure before the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes):



Notes:

(1) CBC Group holds its interest in our Company through Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, and C-Bridge IV Investment Nine Limited. C-Bridge Investment Everest Limited is wholly owned by C-Bridge Healthcare Fund II, L.P. The general partner of C-Bridge Healthcare Fund II,

L.P. is C-Bridge Healthcare Fund GP II, L.P. The general partner of C-Bridge Healthcare Fund GP II, L.P. is C-Bridge Capital GP, Ltd. which is owned as to 45% and 38.34% by TF Capital, Ltd. and TF Capital II, Ltd., respectively, and the remaining 16.66% interest is owned by Independent Third Parties. TF Capital, Ltd. is owned as to 77.78% and 22.22% by Kang Hua Investment Company Limited and Nova Aqua Limited, respectively. TF Capital II, Ltd. is owned as to 52.17% and 47.83% by Kang Hua Investment Company Limited and Nova Aqua Limited, respectively. C-Bridge IV Investment Two Limited is owned as to 97.09% by C-Bridge Healthcare Fund IV, L.P. and 2.91% by an Independent Third Party. The general partner of C-Bridge Healthcare Fund IV, L.P. is C-Bridge Healthcare Fund GP IV, L.P. The general partner of C-Bridge Healthcare Fund GP IV, L.P. is C-Bridge Capital GP IV, Ltd. which is owned as to 71.05% by TF Capital IV, Ltd., 12.50% by Nova Aqua Limited, 7% by Mr. Xiaofan Zhang and 9.45% by other Independent Third Parties. TF Capital IV, Ltd. is wholly owned by Nova Aqua Limited. C-Bridge IV Investment Nine Limited is 100% owned by C-Bridge Healthcare Fund IV, L.P.. C-Bridge II Investment Eight Limited is owned as to 28.57% by C-Bridge Healthcare Fund II, L.P. and Mr. Wei Fu is the sole director of C-Bridge II Investment Eight Limited. The remaining 71.43% of equity interest in C-Bridge II Investment Eight Limited is owned by Independent Third Parties none of whom owns more equity interest in the company than C-Bridge Healthcare Fund II, L.P. For the avoidance of doubt, C-Bridge II Investment Eight Limited is not a controlled corporation of Mr. Wei Fu under the relevant provisions of Part XV of the SFO. Everest Management Holding Co., Ltd. is owned as to 78.32% by C-Bridge Value Creation Limited, 9.71% by Mr. Ian Ying Woo, 0.36% by Mr. Xiaofan Zhang and 11.61% by other Independent Third Parties. C-Bridge Value Creation Limited is wholly-owned by Nova Aqua Limited. Kang Hua Investment Company Limited is wholly-owned by Ms. Dan Yang. The entire interest in Nova Aqua Limited is held through a trust which was established by Mr. Wei Fu (as the settlor) for the benefit of Mr. Wei Fu and his family. Shares subscribed by CBC Group as cornerstone investor are excluded.

(2) Employee shareholders include Biotec Investments Limited (controlled by Zhu Zhengying), Angus Capital Holdings Limited (controlled by Zhang Jing) Angus Investments Limited (controlled by Li Weiping), Matthew Caldemeyer, Yin Yin and Jason Brown.

(3) Pre-IPO Investors refers to all Pre-IPO Investors excluding Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, and C-Bridge IV Investment Nine Limited.

(4) These interests (calculated on the basis of the mid-point of the indicative Offer Price range set out in this document) are held by certain of our existing Shareholders or their affiliates, namely RA Capital, CBC Group, Janchor Partners, GIC, BlackRock Funds, Cormorant, Hillhouse Capital, Rock Springs Capital and Octagon Investments, which have entered into cornerstone investment agreements to subscribe for Shares. See "Cornerstone investors" for details.

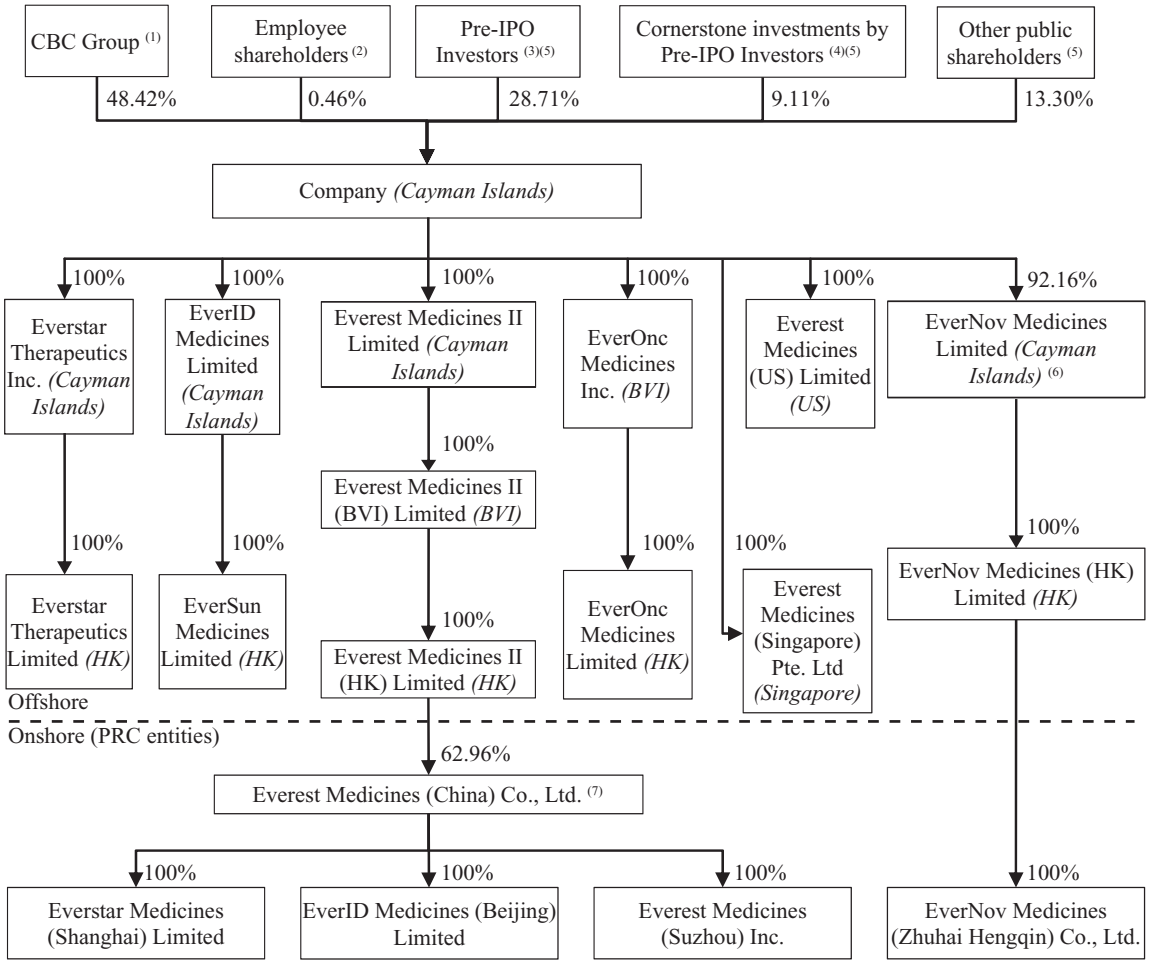
(5) These Shares will count towards the public float upon Listing.

(6) Everest Medicines Limited and Novartis International Pharmaceutical Ltd. hold 92.16% and 7.84% of the shares in EverNov Medicines Limited, respectively.

(7) Our Group has complete control over the operations of our subsidiary, Everest China as detailed in "—Reorganization—Strategic partnership with Jiashan County". The equity interest of Everest China is held as to 62.96% by us and 37.04% by Jiashan Shanhe.

Corporate structure immediately following the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes):



See the preceding page for notes

Overview

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially globally first-in-class or best-in-class therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets. We believe our insight-driven, productive business development engine, exceptional clinical development and regulatory teams and integrated commercial platform position us to accelerate developmental timelines for our innovative drug candidates and to benefit from China's new regulatory and reimbursement policies.

Since the founding of our Company in 2017, we have created a scalable platform, assembled an experienced and visionary management team, and built a portfolio of eight promising clinical-stage drug candidates across oncology, immunology, cardio-renal disease, and infectious disease. We have targeted these four therapeutic areas because of significant unmet medical needs, the substantial number of patients in each area, and the availability of innovative products globally. Leveraging a broad and experienced business development team in the United States and Europe with a local presence in four cities, we have built strong relationships with global biopharmaceutical companies, and systematically screened and evaluated assets within each therapeutic area of focus that are differentiated and late-stage, and that we believe have significant commercial potential in Greater China and emerging Asia Pacific markets. To develop our drug candidates, we have assembled a senior leadership team with an extensive track record of successfully developing novel therapies, navigating the evolving regulatory environment, and commercializing innovative medicines in China. An entrepreneurial culture is the backbone of our Company: our subject-matter experts in each therapeutic area are focused on net value creation and their incentives are tied closely to performance. We endeavor to build a leadership position in each of our chosen therapeutic areas through anchor assets in each of our four initial areas of focus and we have demonstrated our ability to successfully advance our drug development projects. All eight drug candidates in our product pipeline, including the two Core Drug Candidates, and their relevant patents were in-licensed from third parties, and we have yet to demonstrate internal R&D capabilities leading to the commercialization of our portfolio drug candidates and have no experience in the commercialization of drugs.

Executing a disciplined and proactive approach to identify and select additional drug candidates is central to our growth strategy. We leverage our understanding of prevailing medical practices, the competitive product landscape, epidemiological trends and the regulatory environment in China to inform our search for new partnership drug candidates. Our preference is to identify post-proof-of-concept stage assets with attractive risk-reward potential in China. This strategy allows us to bypass early-stage scientific and clinical risks and focus on products that have achieved or are relatively close to regulatory approval and commercialization and have a high probability of success. Our directors and officers have extensive relationships with large pharmaceutical and biotech companies outside of China. Such relationships enhance our brand image and our ongoing business development efforts. Moreover, within each of our therapeutic areas, we have built strong clinical development capabilities with a deep knowledge of the Chinese market and regulations and extensive contacts with key opinion leaders and hospitals. Our clinical development teams use their expertise to systematically evaluate and identify assets that have significant commercial potential in China. At the same time, we align teams' incentives with the successful outcome of drug candidates to reinforce a disciplined and rigorous approach to evaluating new opportunities. We believe this leads to both quicker execution and better capital allocation decisions.

The chart below summarizes our product pipeline.

	Molecule (Modality)	Partner	Commercial Right (In-licensing time)	Clinical Development Plan	Indication	IND Approval	R&D Progress Post In-licensing	China Ph 3 / Pivotal		Clinical Status	
								Planning	Enrollment	Global	Other APAC
Oncology	Trodelvy / sacituzumab Govitecan (ADC)	Immunomedics	Greater China, South Korea, Mongolia, SE Asia (Apr 2019)	Local, multi-regional and global trials	mTNBC (3L)	✓	IND for pivotal trial approved			BLA approved in US	Seek BLA approval based on US approval; include South Korea and Taiwan in multi-regional trials
					HR+ / HER2-(3L)					Phase 3	
					mUC (2/3L)					Phase 2/3[1]	
					mTNBC (1L)					Phase 2	
					Asia basket trial					-	
	FGF401 (Small Molecule)	NOVARTIS	Worldwide (Jun 2018)	Local trials	HCC	✓	Phase 1b/2 trial initiated			Phase 1/2	
Immunology	Etrasimod (Small Molecule)	ARENA	Greater China, South Korea (Dec 2017)	Multi-regional and global trials	Ulcerative Colitis	✓	PK bridging trial completed, Phase 3 trial initiated			Phase 3	South Korea and Taiwan included in multi-regional trial
					Other autoimmune diseases (CD and AD)					Phase 2/3[2]	
Cardio-renal	Nefecon (Small Molecule)	calliditas	Greater China, Singapore (Jun 2019)	Global trial	IgA nephropathy	✓	HGRAC and EC approvals received			Phase 3	Seek NDA approval based on US approval
	Ralinepag (Small Molecule)	United Therapeutics	Greater China, South Korea (Dec 2017)	Global trial	PAH	✓	Phase 3 trial initiated			Phase 3	
Infectious Disease	Xerava (eravacycline) (Small Molecule)	TETRAPHASE	Greater China, South Korea, SE Asia (Feb 2018)	Local trials	cIAI	✓	PK bridging trial completed, Phase 3 trial initiated, Singapore NDA approval			NDA approved in US and EU	NDA approved in Singapore; seek NDA approval based on US approval
	Taniborbactam (Small Molecule)	VenatoRx	Greater China, South Korea, SE Asia (Sep 2018)	Global trial	cUTI	✓	Phase 3 trial initiated			Phase 3	
	SPR206 (Small Molecule)	SPERO	Greater China, South Korea, SE Asia (Jan 2019)	Global trial	Gram negative infections					Phase 1	

Abbreviations: mTNBC=metastatic triple-negative breast cancer; HR+/HER2-=hormone receptor-positive/human epidermal growth factor receptor 2-negative; mUC=metastatic urothelial cancer; HCC= hepatocellular carcinoma; CD=Crohn's disease; AD=atopic dermatitis; IgA= immunoglobulin A; PAH=pulmonary arterial hypertension; cIAI=complicated intra-abdominal infections; cUTI=complicated urinary tract infections; IND= investigational new drug; BLA= biologics license application; NDA=new drug application; EU=European Union; 1L= first-line of treatment; 2L= second- line of treatment; 3L= third-line of treatment; SE Asia= Southeast Asia; US=United States; Greater China= PRC, Hong Kong SAR, Macau SAR and Taiwan.

Notes:

(1) Phase 2 trial for 3L mUC is a pivotal trial;

(2) Arena is conducting a Phase 2/3 program for CD and a Phase 2b program for AD;

(3) Planning;

(4) Ongoing

Our anchor asset in oncology is sacituzumab govitecan (Trodelvy), a first-in-class TROP-2 directed antibody-drug conjugate (ADC). TROP-2 is a membrane antigen that is over-expressed in many common epithelial cancers. According to the Frost & Sullivan Report, the incidence of cancers with TROP-2 overexpression was over 3.5 million, accounting for more than 78.9% of all cancer incidence of 4.4 million in China in 2019, hence, sacituzumab govitecan may be effective in a broad range of tumors. We and our licensing partner, Immunomedics, Inc., or Immunomedics, are initially developing sacituzumab govitecan to treat breast cancer and urothelial cancer. In April 2020, sacituzumab govitecan was granted accelerated approval by the U.S. FDA for the treatment of patients with metastatic triple-negative breast cancer (mTNBC) who have received at least two prior therapies for metastatic disease, based on the overall response rate (33.3%) and the progression-free survival (5.5 months). In July 2020, Immunomedics announced positive results from the ASCENT Study, a Phase 3, randomized, confirmatory trial where sacituzumab govitecan significantly improved progression-free survival (PFS), overall survival (OS) and objective response rate (ORR) in mTNBC patients who have received at least two prior therapies for metastatic disease. We obtained IND approval in China from the NMPA in April 2020 for sacituzumab govitecan for a clinical trial in mTNBC as a third-line treatment. In 2020 and 2021, we anticipate the initiation of registrational bridging trials in mTNBC as a third-line treatment, a registrational trial in HR+/HER2- mBC as a third-line treatment, a registrational trial in metastatic urothelial cancer as a second-/third-line treatment, and an Asia basket study that includes patients with a variety of cancer types with high TROP-2 expression.

Our anchor asset in infectious disease and one of our Core Drug Candidates is eravacycline (Xerava), a novel, potentially best-in-class parenteral synthetic tetracycline analog. Eravacycline has shown broad and potent *in vitro* activity against Gram-negative pathogens that have acquired multidrug resistance (MDR) and are prevalent in China, such as *Enterobacteriaceae* and *Acinetobacter baumannii*. According to the Frost & Sullivan Report, the gram-negative MDR antibiotics market is one of the fastest growing segments in infectious disease in China with a market size of RMB20.5 billion in 2019; it is expected to expand to RMB35.1 billion by 2024 and to RMB55.7 billion by 2030, representing a CAGR of 11.4% from 2019 to 2024 and 8.0% from 2024 to 2030, respectively. Eravacycline (Xerava) is currently approved for the treatment of complicated intra-abdominal infections (cIAI) in the United States and European Union. Eravacycline has been tested in 21 U.S. clinical trials comprising over 2,700 subjects completed by our licensing partner, Tetraphase, from 2009 to 2018. In these studies, eravacycline demonstrated high cure rates in infections caused by both Gram-positive and with Gram-negative pathogens, including resistant isolates. We received NDA approval from the Health Science Authority in Singapore for eravacycline to treat cIAI in April 2020. Singapore is one of the territories where we have exclusive commercial rights for eravacycline. We have completed a Phase 1 PK bridging trial in China and are conducting a Phase 3 registrational trial for cIAI to support regulatory approval in China.

Our anchor asset in immunology and one of our Core Drug Candidates is etrasimod, a potentially best-in-class, second-generation oral modulator of the sphingosine 1-phosphate receptors (S1PR) 1, 4 and 5. The initial indication for etrasimod is ulcerative colitis (UC), but additional opportunities exist in Crohn's disease (CD) and autoimmune skin disorders such as atopic dermatitis, which are historically underdiagnosed and undertreated in China. According to the Frost & Sullivan Report, the market size of autoimmune diseases was RMB16.2 billion in 2019 in China and is expected to expand to RMB53.2 billion by 2024, representing a CAGR of 26.8%. Etrasimod was well tolerated and met the predefined efficacy endpoints in a randomized, double-blind Phase 2b clinical trial conducted by our licensing partner, Arena Pharmaceuticals, Inc., or Arena, in patients with moderately to severely active UC. With oral administration and demonstrated clinical activity comparable to injectable biologics, which are the current standard of care, etrasimod is well positioned to become the therapy of

choice for moderately to severely active UC in China. We have completed a Phase 1 PK bridging trial in China and are conducting a Phase 3 registrational trial in UC in Mainland China, South Korea and Taiwan.

Our anchor asset in cardio-renal disease is Nefecon, a potentially first-in-disease drug candidate for the treatment of IgA nephropathy (IgAN), a common cause of glomerulonephritis and chronic kidney disease in China. About 50% of IgAN patients progress to end stage renal disease (ESRD) within 30 years despite treatment. According to the Frost & Sullivan Report, there were 2.18 million patients with IgAN in 2019 in China. Nefecon is an oral, targeted-release formulation of budesonide, a potent agonist of glucocorticoid receptors with an established safety and efficacy profile. Nefecon's novel formulation enables the local delivery of budesonide to the site of aberrant IgA antibody production in the small bowel, enhancing efficacy while reducing side effects associated with systemic use of budesonide. In a randomized, double-blind Phase 2b clinical trial conducted by our licensing partner, Calliditas Therapeutics AB, or Calliditas, Nefecon demonstrated statistically significant reduction in proteinuria levels and stabilization of eGFR. We obtained IND approval in IgAN for Nefecon in 2019 and have joined the global Phase 3 registrational trial in collaboration with Calliditas. The first patient was randomized in China in September 2020.

Strengths

Our business model is built on the following core strengths to capture substantial opportunities in the China pharmaceutical market:

Broad pipeline of late clinical stage candidates with first-in-class or best-in-class drug potential in four therapeutic areas with substantial and near-term market potential

We have targeted four therapeutic areas, oncology, immunology, cardio-renal disease and infectious disease, because of significant unmet medical needs, the substantial number of patients in each area, and the availability of innovative products globally. From the inception of our Company, we have executed a disciplined and proactive approach to identify and secure a pipeline of promising drug candidates with the potential to be either first-in-class or best-in-class.

Oncology

As of the Latest Practicable Date, we have built an oncology portfolio that is initially focused on breast cancer, urothelial cancer and liver cancer, but has the potential to be used broadly in many of the largest cancer types in China. Our current portfolio, which includes sacituzumab govitecan and FGF401, has the potential, if approved, to address well over one million patients annually in China suffering from devastating cancers, according to the Frost & Sullivan Report.

Immunology

Autoimmune diseases are historically underdiagnosed and undertreated in China. The treatment landscape in China is rapidly evolving with greater patient awareness, increasing ability to pay, better treatment options and inclusion of more advanced immunology drugs into the NRDL, according to the Frost & Sullivan Report. Our immunology portfolio has one anchor asset, etrasimod, which has potential clinical value across multiple autoimmune diseases.

Cardio-renal disease

Cardio-renal disease is a major therapeutic area in China with a substantial lack of innovative therapies. Our cardio-renal disease portfolio has an anchor renal asset, Nefecon, as well as a specialty

cardiology asset, ralinepag. As the only pharmaceutical candidate in development for IgAN that is intended to be disease-modifying, Nefecon, if approved, has the potential to become a breakthrough treatment for IgAN. Ralinepag, if approved, has the potential to become a next-generation, potent, selective oral IP prostacyclin receptor agonist for the treatment of pulmonary arterial hypertension (PAH).

Infectious disease

Infectious disease is one of the largest therapeutic areas by drug sales in China, with many generic and branded drugs but a notable lack of innovative drugs, according to the Frost & Sullivan Report. The rising incidence of drug-resistant infections has increased the market demand for novel and effective therapeutic options. Our infectious disease portfolio has one anchor asset, eravacycline, and two additional assets, taniborbactam and SPR206. Our portfolio is focused on multi-drug resistant (MDR) Gram-negative infections, which have high prevalence in China. Each of our infectious disease drug candidates, if granted regulatory approval, has a potentially best-in-class profile with broad-spectrum activity.

We remain focused on our mission to bring to market novel therapies to address high unmet medical need and will continue to explore additional indications and assets in our chosen therapeutic areas.

Exceptional clinical development talent

We have assembled a senior leadership team with an extensive track record of successfully executing on the clinical development of novel therapies, navigating the evolving regulatory environment, and commercializing innovative medicines in China. Our CEO, Kerry Blanchard, has three decades of experience in innovative drug development in the United States and China, including most recently as the chief scientific officer of Innovent Biologics (Suzhou) Co., Ltd., a wholly-owned subsidiary of Innovent Biologics, Inc. (HKEX: 1801), following 17 years at Eli Lilly with increasing responsibilities, including senior vice president of Lilly China and co-chairman of Lilly Asia Venture (LAV) investment committee. He also served in a variety of scientific and leadership positions in Eli Lilly including Oncology Discovery Biology Research, Lilly Singapore Systems Biology, Discovery operations and Tailored Therapeutics. Our management team also includes three chief medical officers (CMOs), each with a specific therapeutic area of focus, and senior leaders across regulatory, quality, CMC (chemistry, manufacturing and controls) and new product planning. Our CEO and CMOs in the aggregate have played key roles in the submission of over a hundred IND applications and over 30 NDAs, and the successful approvals of over 30 products during their respective careers, including Tyvyt, Olumiant, Bydureon, Alimta, Sutent and Eliquis.

Top tier business development team and trusted partner for global players across multiple therapeutic areas

Since the founding of our company in 2017, we have developed a proactive and systematic approach to identifying and evaluating assets in our therapeutic areas of focus. Our senior business development and alliance management team is based in New York, Boston, San Diego and Paris, which gives us global reach and local presence in key hubs of biopharmaceutical innovation. We have a proven track record of collaborating with global large pharmaceutical companies, mid-cap biopharmaceutical companies and small-cap biotechnology companies across multiple continents. These accomplishments underscore our credibility with the full spectrum of global biopharmaceutical companies and demonstrate that potential partners have confidence to enter into long-term relationships with us. Most of our in-licensed products and product candidates are the lead assets of our global partners, who have

chosen us to help them realize the full potential of these assets in Greater China and other parts of Asia. Our business development, clinical development and commercial teams in the United States, Europe and China work together seamlessly to address all technical, clinical, regulatory, IP, commercial and reimbursement considerations. We have evaluated hundreds of assets and closed a total of eight in-licensing deals to date. Two products that we in-licensed, eravacycline and sacituzumab govitecan, have received U.S. FDA approvals for their respective NDA and BLA, while multiple other product candidates have announced positive clinical trial data after we consummated the licensing transactions. We believe these regulatory and clinical development milestones achieved by our partners increase the value of these products and product candidates in our territories and are a testament to our ability to assess and effectively evaluate the inherent risks of licensing candidates.

Strong therapeutic area expertise and operational excellence

Our Company combines a shared platform composed of strategy, business development, finance, legal & compliance and human resources with our therapeutic areas led by well-recognized medical experts. Our structure has allowed us to attract and retain a team of exceptional experts and specialists whose incentives are tied closely to their performance, while benefiting from the strong support from the company's senior management as well as corporate level resources and infrastructure. Our platform and therapeutic area teams work synergistically and collaboratively to achieve milestones in a timely and efficient fashion in China.

Demonstrated clinical development execution capabilities

We leverage the new regulatory framework in China to expedite the approval and commercial launch of each of our product candidates. We preferentially select candidates that have advanced beyond the clinical proof-of-concept stage to allow us to either seek approval in China based on a bridging trial strategy or based on data from the global registrational trials in which we participate by contributing Asian clinical trial sites and data. Our team has demonstrated the ability to efficiently obtain IND approvals and initiate patient enrollment. For example, we received IND approval in China six months after signing the in-license agreement with our global partner for Nefecon. We have received approvals for IND applications for 13 trials in Mainland China, Taiwan and South Korea thus far since our inception in July 2017. We have initiated five registrational trials and plan to initiate one more by the end of 2020, and if our development plans proceed on schedule, we expect our first product candidate to be approved in mainland China in 2021/2022. The Health Science Authority's rapid NDA approval of eravacycline in Singapore in April 2020, 20 months after our partner received marketing approval from the U.S. FDA in August 2018, is also a testament to our expertise and ability to speed the advancement of globally innovative therapeutics into untapped and underserved markets.

Strategies

We aspire to become a leading biopharmaceutical company focused on the development and commercialization of globally innovative therapies, initially in Greater China and other Asia Pacific markets. Our key strategies include:

Advance our existing drug candidates into and through registrational trials

Six of our drug candidates are currently undergoing or advancing into registrational trials in China. We plan to submit NDAs for these drug candidates if the registrational trials are successful.

- Sacituzumab govitecan—U.S. FDA approval for 3L mTNBC was obtained in April 2020, China NMPA IND approval in 3L mTNBC was obtained in April 2020 and we plan to initiate the

registrational trial in China for this indication in the second half of 2020 and expect the trial to be fully enrolled in the first half of 2021. We plan to submit a BLA in China for this indication by the end of 2021 or in the first half of 2022.

- Etrasimod—We initiated a registrational trial in the second half of 2019 for UC and expect the trial to be fully enrolled in the second half of 2021.
- Eravacycline—U.S. FDA approval for cIAI was obtained in August 2018, NMPA IND approval followed in October 2018, China Phase 3 enrollment was initiated in the first half of 2019, and Singapore NDA approval for cIAI was obtained in April 2020. We plan to submit an NDA in China in the first half of 2021.
- Nefecon—NMPA IND approval in IgA Nephropathy was obtained in December 2019 and we have initiated participation in the second half of 2020 in the global registrational trial being conducted by Calliditas in IgA Nephropathy. The first patient was randomized in China in September 2020. We expect to complete enrolment of this trial in the first half of 2021, and submit an NDA in China in 2022.
- Taniborbactam—We initiated a registrational trial of taniborbactam in combination with cefepime in the second half of 2019 for cUTI in collaboration with Venatorx. Topline results from this trial are expected in 2021.
- Ralinepag—We initiated a registrational trial in the second half of 2019 for PAH in China as part of a global phase 3 registrational study conducted together with our partner United Therapeutics.

We plan to pursue practical and efficient clinical development in China, leveraging the large local patient pool for rapid patient enrollment in trials and seeking fast-track approval pathways.

Continue to expand our innovative drug portfolio in areas of high unmet medical needs across multiple therapeutic areas

The Chinese pharmaceutical market presents strong structural and secular opportunities. We have set up a scaled platform with significant bandwidth covering four therapeutic areas and believe we have one of the most effective and high quality business and clinical development teams in the industry. We plan to strengthen and leverage this platform to identify product opportunities to benefit from the differences between global and China markets in epidemiology, unmet medical needs, standard of care and local competitive landscapes. We have in-licensed eight assets since our inception in July 2017. To further expand our portfolio, we will continue to bring in high-value and differentiated innovative assets with attractive risk-return profiles for our four current core therapeutic areas. We intend to in-license one or two new assets each year, if practicable. We plan to continue to capitalize on our broad geographic presence in the United States, Europe and China and our management team's domestic and international networks and drug development experience to further solidify our position as a strategic gateway partner into China for global pharmaceutical companies.

We also expect our business development activities to expand to include earlier-stage assets over time. We intend to leverage the vast clinical resources in China and the global-quality clinical operation capabilities that we have built to generate clinical data that add to the global value of these earlier-stage assets. In the longer term, we plan to add breadth and sustainability to our pipeline, in part, by building our own discovery capabilities.

Explore strategic partnerships and alliances

For the past three years, we have focused on in-licensing regional rights to late-stage, potentially globally first-in-class or best-in-class products and product candidates that address critical unmet

medical needs for patients in Greater China and other Asian markets. We have also focused primarily on single asset business development transactions. Going forward, we see opportunities to form broader partnerships and alliances with global biopharmaceutical companies, who are, in our view, increasingly interested in exploring strategic opportunities in China. We believe that an increasing number of biopharmaceutical companies outside of China will seek to commercialize their drugs in China through a local partner that can do so in a timely, cost-effective and compliant manner. We also believe that global biopharmaceutical companies will increasingly look to China as an important country for the clinical development of global therapeutic candidates, where our local presence and global quality clinical development expertise would be highly valuable. Our proven track record of collaborating with the full spectrum of biopharmaceutical companies across multiple continents underscores our credibility with potential partners. We will continue seeking strategic partnerships and alliances that help enhance our capabilities, product pipeline and strategic position.

Build strong sales and marketing capabilities selectively supplemented with strategic partnerships to maximize the commercial potential of our product candidates

We plan to build our commercial capabilities through a combination of an in-house sales force and strategic partnerships with leading industry players to enhance and broaden our coverage. To achieve optimal balance between sales force specialization and productivity across multiple therapeutic areas, our commercial model will combine dedicated science-driven marketing efforts with a concentration on top-tier hospitals. We will explore commercial partnerships for select assets in China to maximize the commercial value of our diverse portfolio, in particular those products or product candidates which would benefit from broad geographic distribution. In international markets, we expect to leverage the resources and expertise of local and global partners. Importantly, we plan to establish a leading multi-functional market access team to engage key stakeholders and accelerate patient access to our product candidates in China and other markets.

To support our anticipated commercial launch of multiple products, we have commenced building a commercial team with deep knowledge of sales, marketing and market access strategies across a broad range of disease areas.

Continue to focus on hiring and retaining top talent in the industry

We place a high priority on selecting and recruiting top talent. To this end, we have developed a treatment area-focused organizational structure and cultivated an entrepreneurial and reward-for-performance culture that has attracted many high-caliber industry veterans to join us. Most of our clinical development professionals come from large multi-national pharmaceutical companies and possess extensive clinical development experience, both overseas and in China. Our business development team has a track record of successfully completing high-profile deals in multiple markets worldwide. To retain and attract talent, we will continue to refine our organizational structure as we expand the scale of our business. In particular, we will remain committed to empowering our leaders and our team to take ownership of their work by rewarding them commensurate with their contributions.

Build GMP/GSP manufacturing facilities in China to support our drug development

We entered into a strategic partnership agreement with Jiashan Economic and Technological Development Zone Management Committee (嘉善經濟技術開發區管理委員會) and an investment agreement with Jiashan Shanhe in March 2020, pursuant to which, we currently plan to place our China holding company and global manufacturing site in Jiashan Economic and Technological

Development Zone and received an US$100 million investment from Jiashan Shanhe to support our drug development and good manufacturing practice (GMP)/good supply practice (GSP) facilities in China. Jiashan is an innovation-driven industrial ecosystem where we can enjoy efficient local manufacturing and research and development. Our facilities are expected to be designed to comply with the U.S. FDA and the EMA standards to meet demands in both Asia and the global markets.

Our Product Pipeline

From the inception of our Company, we have laid the groundwork for expanding the scale of our operations rapidly. We designed our corporate structure to build a leadership position in each of our chosen therapeutic areas, and we have anchor assets in place in each of our four therapeutic areas of focus:

	Oncology	Immunology	Cardio-renal Disease	Infectious Disease
Anchor Assets	Sacituzumab govitecan (Trodelvy)	Etrasimod	Nefecon	Eravacycline (Xerava)
Additional Assets	FGF401		Ralinepag	Taniborbactam SPR206

The chart below summarizes the contents of our product pipeline.

	Molecule (Modality)	Partner	Commercial Right (In-licensing time)	Clinical Development Plan	Indication	IND Approval	R&D Progress Post In-licensing	China Ph 3 / Pivotal		Clinical Status	
								Planning	Enrollment	Global	Other APAC
Oncology	Trodelvy / sacituzumab Govitecan (ADC)	Immunomedics	Greater China, South Korea, Mongolia, SE Asia (Apr 2019)	Local, multi-regional and global trials	mTNBC (3L)	✓	IND for pivotal trial approved			BLA approved in US	Seek BLA approval based on US approval; include South Korea and Taiwan in multi-regional trials
					HR+ / HER2-(3L)					Phase 3	
					mUC (2/3L)					Phase 2/3[1]	
					mTNBC (1L)					Phase 2	
					Asia basket trial					-	
	FGF401 (Small Molecule)	NOVARTIS	Worldwide (Jun 2018)	Local trials	HCC	✓	Phase 1b/2 trial initiated			Phase 1/2	
Immunology	Etrasimod (Small Molecule)	ARENA	Greater China, South Korea (Dec 2017)	Multi-regional and global trials	Ulcerative Colitis	✓	PK bridging trial completed, Phase 3 trial initiated			Phase 3	South Korea and Taiwan included in multi-regional trial
					Other autoimmune diseases (CD and AD)					Phase 2/3[2]	
Cardio-renal	Nefecon (Small Molecule)	calliditas	Greater China, Singapore (Jun 2019)	Global trial	IgA nephropathy	✓	HGRAC and EC approvals received			Phase 3	Seek NDA approval based on US approval
	Ralinepag (Small Molecule)	United Therapeutics	Greater China, South Korea (Dec 2017)	Global trial	PAH	✓	Phase 3 trial initiated			Phase 3	
Infectious Disease	Xerava (eravacycline) (Small Molecule)	TETRAPHASE	Greater China, South Korea, SE Asia (Feb 2018)	Local trials	cIAI	✓	PK bridging trial completed, Phase 3 trial initiated, Singapore NDA approval			NDA approved in US and EU	NDA approved in Singapore; seek NDA approval based on US approval
	Taniborbactam (Small Molecule)	VenatoRx	Greater China, South Korea, SE Asia (Sep 2018)	Global trial	cUTI	✓	Phase 3 trial initiated			Phase 3	
	SPR206 (Small Molecule)	SPERO	Greater China, South Korea, SE Asia (Jan 2019)	Global trial	Gram negative infections					Phase 1	

Abbreviations: mTNBC=metastatic triple-negative breast cancer; HR+/HER2-=hormone receptor-positive/human epidermal growth factor receptor 2-negative; mUC=metastatic urothelial cancer; HCC= hepatocellular carcinoma; CD=Crohn's disease; AD=atopic dermatitis; IgA= immunoglobulin A; PAH=pulmonary arterial hypertension; cIAI=complicated intra-abdominal infections; cUTI=complicated urinary tract infections; IND= investigational new drug; BLA= biologics license application; NDA=new drug application; EU=European Union; 1L= first-line of treatment; 2L= second- line of treatment; 3L= third-line of treatment; SE Asia= Southeast Asia; US=United States; Greater China= PRC, Hong Kong SAR, Macau SAR and Taiwan.

Notes:

(1) Phase 2 trial for 3L mUC is a pivotal trial;

(2) Arena is conducting a Phase 2/3 program for CD and a Phase 2b program for AD;

(3) Planning;

(4) Ongoing

Our Anchor Assets

Eravacycline (Xerava)

Eravacycline: Complicated Intra-abdominal Infections (cIAI)

Disease Overview	● cIAI is a type of major hospital-acquired or community-acquired infection which extends beyond the source organ into the peritoneal space as a result of perforation or other damage to the gastrointestinal tract. ● There were 2.9 million cIAI infection cases in China in 2019 with increasing rates of infections caused by drug-resistant bacteria, which limits the effectiveness of currently available antibiotics.
Product Profile	● Eravacycline is a novel, fully synthetic fluorocycline intravenous antibiotic developed for use as a first-line empiric monotherapy for the treatment of MDR infections, including MDR Gram-negative infections. ● Eravacycline is approved in the United States and the EU for the treatment of cIAI and is marketed under the trade name Xerava. ● Eravacycline has been investigated in 21 U.S. clinical trials comprising over 2,700 subjects completed by our licensing partner, Tetraphase, from 2009 to 2018 and demonstrated high cure rates in patients with complicated intra-abdominal infections caused by both Gram-positive and with Gram-negative pathogens, including resistant isolates.
Development Status and Catalysts	● Ongoing – Phase 3 registrational study for eravacycline in cIAI patients in China ● Second half 2020 – Anticipated topline data readout of our Phase 3 registrational study ● April 2020 – Obtained NDA approval in Singapore in cIAI

On 27 August 2018, the U.S. FDA approved eravacycline (Xerava) for the treatment of cIAI in adults based on Tetraphase's Phase 3 program. Tetraphase commenced sales of eravacycline in the United States in October 2018. On 20 September 2018, the European Medicines Agency, or the EMA, granted marketing authorization for eravacycline for the treatment of cIAI in adults in all 28 countries of the EU, plus Norway, Iceland and Liechtenstein. On 14 April 2020, we received NDA approval from the Health Science Authority of Singapore for eravacycline for the treatment of complicated cIAI in adults. We plan to submit an NDA in China by the end of 2020.

Carbapenem resistance is a major and an ongoing public health problem globally. It occurs mainly among Gram-negative pathogens, such as *Klebsiella pneumoniae, Pseudomonas aeruginosa* and *Acinetobacter baumannii*. Such resistance may be intrinsic or mediated by transferable carbapenemase-encoding genes and is spreading rapidly, causing serious outbreaks and dramatically limited treatment options. Pathogens carrying these resistance genes are already widespread in certain parts of the world, particularly Europe, Asia and South America.

As a broad-spectrum antibiotic, eravacycline covers the majority of the key resistant pathogens in China. *In vitro* studies have demonstrated its potency in clinical isolates commonly found in China, not

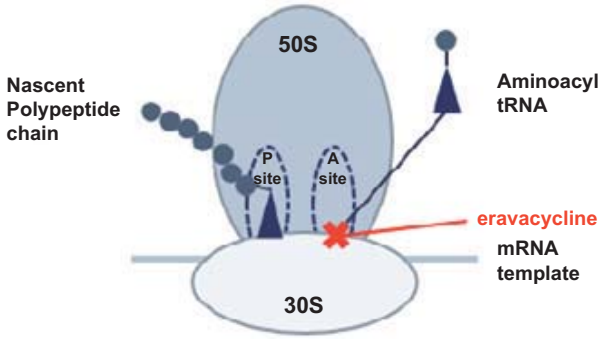
only in extended-spectrum beta-lactamase producing strains, or ESBLs, but also in clinically challenging pathogens such as carbapenem-resistant *Enterobacteriaceae* (CRE) and Carbapenem-resistant *Acinetobacter baumannii* (CRAB). Additionally, the drug is broadly distributed in the body and has high concentrations in various body tissues, including the pulmonary compartment, suggesting its clinical utility against not only cIAI but also other infections at other body sites, such as lung infections.

We entered into a license agreement with Tetraphase in February 2018, which granted us commercialization rights to eravacycline for the treatment of cIAI and other indications filed in Mainland China, Taiwan, Hong Kong, Macau, South Korea, and Singapore. In July 2019, we amended our existing license agreement with Tetraphase to expand our commercialization rights to Malaysia, Thailand, Indonesia, Vietnam and the Philippines. In October 2018, we received an IND approval from the NMPA for a Phase 3 clinical trial of eravacycline in cIAI in China. We initiated this trial in April 2019. We also expect to evaluate eravacycline in China for the treatment of community acquired bacterial pneumonia (CABP).

Mechanism of Action

Tetracyclines are broad-spectrum agents, exhibiting activities against a wide range of Gram-positive and Gram-negative bacteria, atypical organisms such as chlamydiae, mycoplasmas and rickettsiae, as well as protozoan parasites. The mechanism of action for tetracycline antibiotics is through inhibition protein synthesis by preventing the attachment of aminoacyl-tRNA to the ribosomal acceptor (A) site. Traditional tetracyclines, such astetracycline, doxycycline, and minocycline, are limited in their clinical use due to tetracycline-specific resistance mechanism on transmissible genetic elements among clinically important bacterial pathogens. The most clinically prevalent tetracycline-specific efflux mechanisms include tet(A) and tet(B) in Gram-negative bacteria and tet(K) and tet(L) in Gram-positive bacteria. Ribosome Protection Proteins ("RPPs"), which are thought to destabilize the interaction of tetracycline with the 30S ribosomal subunit, are encoded by the tet(M) and tet(O) genes, also commonly found in aerobic and anaerobic Gram-negative bacteria and Gram-positive bacteria.

Tetracycline antibiotics are traditionally made by semi-synthetic route, and due to the limitation of such route, chemists have generally been unable to synthesize new tetracyclines that were unaffected by widespread bacterial resistance mechanisms. Eravacycline is the first and only tetracycline antibiotics made by total synthetic route, using methodology first described in 2005. Eravacycline contains the tetracyclic core scaffold common to other tetracycline antibiotics, with two unique modifications made possible by the total synthetic route: a fluorine atom at position C-7 and a pyrrolidinoacetamido group at C-9 on the phenyl ring. We believe both of these modifications contribute to its enhanced potency against tetracycline-resistant strains due to tetracycline-specific efflux and/or RPPs, the two major mechanisms of widespread tetracycline resistance. Indeed, eravacycline exhibits potent activity against clinically-relevant Gram-positive and Gram-negative aerobic and anaerobic strains, including those expressing tetracycline resistance mediated by tet(M)-ribosomal protection and/or tetracycline-specific efflux pumps.



Source: Frost & Sullivan Report

Current Treatment Options and Their Limitations

For cIAI, cephalosporins and carbapenems (such as meropenem and ertapenem), among others, are considered the standard of care. However, currently available treatment options for cIAI have significant limitations. For example, although carbapenems are typically used as empiric therapies for the treatment of a suspected or documented cIAI caused by extended-spectrum beta-lactamase, or ESBL, producing *Enterobacteriaceae*, finding alternatives to carbapenems for treatment of such infections is an urgent medical need, in part due to the growing use of carbepenems, which has led to increased resistance. In 2010, carbapenems were used for more than 8 million patient days of therapy, or DOTs, a number which doubled to 16 million DOTs by 2015 in the United States. In 2014, carbapenems were used for more than 13 million patient days of therapy, or DOTs, a number which doubled to 27 million DOTs by 2018 in China. In parallel with this increased utilization, carbapenem-resistant *Enterobacteriaceae*, or CRE, has been observed. Increased use of carbapenems is also associated with a higher rate of carbapenem-resistant *Pseudomonas aeruginosa* and *Acinetobacter baumannii.*

For CABP, based on the most likely causative pathogens, the standard of care is usually either a combination of a cephalosporin plus a macrolide, or monotherapy with a fluoroquinolone. ESBL producers are frequently also resistant to fluoroquinolones and piperacillin/tazobactam.

Tetracycline antibiotics have been in clinical use for over 50 years and have a demonstrated record of safety and effectiveness. However, a high incidence of resistance among many bacteria has limited their effectiveness and resulted in tetracyclines being relegated to second- or third-line therapy several decades after their introduction. Tigecycline and omadacycline are two of the latest tetracycline antibiotics to be introduced. Tigecycline has a broad spectrum of coverage across Gram-negative and Gram-positive pathogens including *Enterobacteriaceae* and methicillin-resistant Staphylococcus species. However, it received blackbox warning from the U.S. FDA due to higher all-cause mortality and other severe side effects. Its use is also associated with significant gastrointestinal side effects, including nausea and vomiting. Tigecycline was approved in the United States in 2005, in China in 2010 and included into the NRDL in 2017. It is indicated for cIAI, CABP and cSSSI and is delivered in I.V. formulation. Omadacycline is another broad-spectrum agent against multiple Gram-positive and Gram-negative bacteria. Omadacycline carries a labeled warning for a mortality imbalance in patients with CABP, in addition to warnings and precautions consistent with those reported for older tetracyclines. Omadacycline was approved in the United States in 2018 for CABP and ABSSSI and is in NDA review in China. It is delivered in both I.V. and tablet formulations.

Market Opportunity in China

We believe there remains a significant unmet medical need in China for drugs targeting cIAI and other Gram-negative infections. According to the Frost & Sullivan Report, China's G-MDR antibiotics

market grew at a rapid pace in the past five years, increasing from RMB12.5 billion in 2015 to RMB20.5 billion in 2019, representing a CAGR of 13.2%. The market is forecast to grow to RMB35.1 billion in 2024, representing a CAGR of 11.4% from 2019 to 2024, and to further reach RMB55.7 billion in 2030, representing a CAGR of 8.0% from 2024 to 2030. In 2019, there were 2.9 million cIAI infection cases in China with an increasing rate of infections caused by drug-resistant bacteria, which limits the effectiveness of currently available antibiotics, according to the Frost & Sullivan Report.

Notably, tigecycline, with a narrower strain coverage and less potent activity than eravacycline, was approved in China in 2010 and entered the NRDL List B catalog in 2017. Tigecycline is categorized as third level for special use in China, it had sales of RMB2.1 billion in China in 2019, with a CAGR of over 42.3% from 2017 to 2019. We believe the robust growth of the sales of tigecycline demonstrates the potential future demand for the next generation of antibiotics, such as eravacycline.

Eravacycline has demonstrated the ability to overcome limitations of tetracycline antibiotics and offer a valuable therapeutic option for cIAI caused by resistant pathogens found in the clinical setting. The following table sets forth comparisons between eravacycline and other improved tetracycline analogs in China.

Comparison Between Eravacycline and its Competitors in China

Generic name & Sponsor	Admin-istration	Indica-tion	Status in China	Date	Spectrum	Adverse Reaction	Safety
Tigecycline Pfizer (Branded)	IV	cIAI, cSSSI, CAP	Approved, NRDL list B	2010-11-10	**Gram+**: MRSA, MRSE, VRE, penicillin-resistant S. pneumoniae, MDR Streptococcus, *Enterococcus* **Gram-**: *Enterobacteriaceae,* Haemophilus influenzae, Moraxella catarrhalis, Citrobacter freundii	**(Incidence>5%)** Nausea, vomiting, diarrhea, abdominal pain, headache, and increased SGPT.	Blackbox warning by FDA, higher all-cause mortality, unrecognized hypoglycemia due to interference with blood glucose testing, anaphylactic reactions, hepatic adverse effects, pancreatitis, fetal harm, inhibition of bone growth, tooth discoloration
Omadacycline Zai Lab	IV, oral	CABP, ABSSSI	NDA	2020-02-14	**Gram+**: MRSA, VRE, *Enterococcus,* penicillin- and macrolide-resistant strains of *Streptococcus pneumoniae,* β-hemolytic streptococci and some **t**etracycline-resistant Gram+ bacteria **Gram-**: *Enterobacteriaceae,* Haemophilus influenzae, Moraxella catarrhalis, Citrobacter spp.	**(Incidence≥2%)** Nausea, vomiting, infusion site reactions, transferase increased, hypertension, headache, diarrhea, insomnia, constipation.	Mortality imbalance in CABP, and enamel hypoplasia, inhibition of bone growth, tooth discoloration
Eravacycline Everest	IV	cIAI	Phase III	2019-03-08	**Gram+**: MRSA, MSSA,VRE *Enterococcus,* streptococcus, tetracycline-resistant MRSA **Gram-**: *Enterobacteriaceae,* bacteroides, *Klebsiella pneumoniae,* Citrobacter freundii. tetracycline-resistant *Enterobacteriaceae*	**(Incidence≥3%)** Infusion site reactions, nausea, vomiting.	Hypersensitivity reactions and enamel hypoplasia, inhibition of bone growth, tooth discoloration

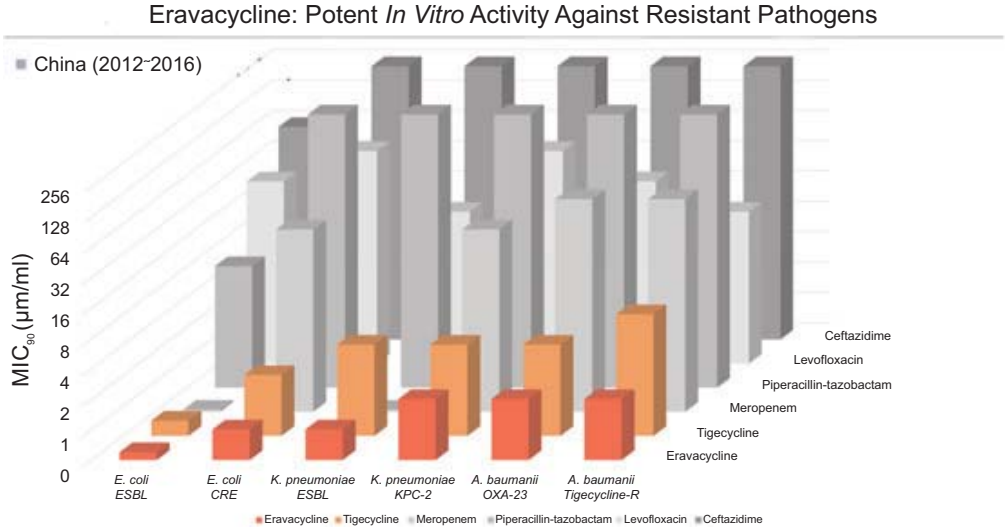
Note: MRSE, Methicillin-resistant staphylococcus epidermidis; VRE, Vancomycin-resistant enterococci; MRSA, Methicillin-resistant Staphylococcus aureus; MSSA: Methicillin-susceptible Staphylococcus aureus

Source: Literature Review, FDA, Frost & Sullivan Report

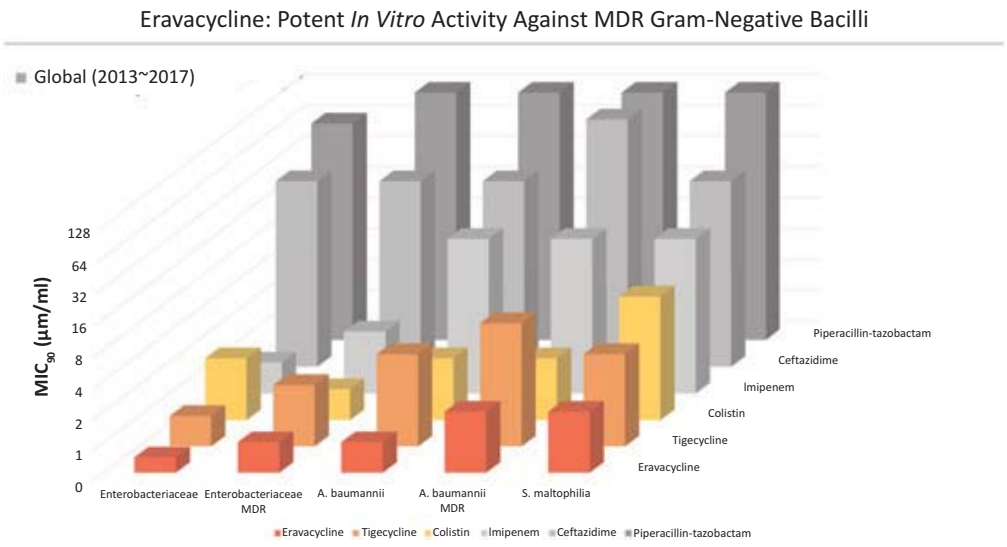
Potential Competitive Advantages of Eravacycline

We believe that the following key attributes of eravacycline, observed in clinical trials and pre-clinical studies, support eravacycline as a safe and effective treatment for cIAI, and potentially for other serious and life-threatening infections, and differentiate eravacycline from other antibiotics targeting MDR infections, including MDR Gram-negative infections.

- *Offers a broad range of activity against a wide variety of MDR Gram-negative, Gram-positive and anaerobic bacteria, and atypical organisms, such as mycoplasma and legionella (common pathogens in CABP)*. In Phase 2 and Phase 3 clinical trials of the IV formulation of eravacycline, eravacycline demonstrated a high cure rate against a wide variety of MDR Gram-negative, Gram-positive and anaerobic bacteria. In *in vitro* studies, eravacycline demonstrated potent antibacterial activity against Gram-negative bacteria, including ESBL-producing *Enterobacteriaceae*, CRE, MCR-1 gene expressing bacteria, *Acinetobacter baumannii* including carbapenem resistant strains, Gram-positive bacteria including methicillin-resistant *Staphylococcus aureus*, or MRSA, and vancomycin-resistant *Enterococcus*, or VRE, and anaerobic pathogens. With its broad spectrum of coverage, we believe that eravacycline has the potential to be used as a first-line empiric monotherapy for the treatment of cIAI. In addition, we believe that eravacycline represents an attractive alternative to TIG with two- to four-fold better potency *in vitro* and significantly lower gastrointestinal toxicity reported (nausea: approximately 6.5% for eravacycline vs. approximately 26% for TIG; vomiting: approximately 3.7% for eravacycline vs. approximately 18% for TIG), and will be able to capture a large share of the market opportunity resulting from the rising resistance rate to available antibiotics treatment options.



MIC_{90}: Minimum Inhibitory Concentration: Lowest concentration of the antibiotic at which 90% of the isolates were inhibited



MIC_{90}: Minimum Inhibitory Concentration: Lowest concentration of the antibiotic at which 90% of the isolates were inhibited
Source: Tetraphase

- *Active against resistant strains.* As a fluorocycline, *in vitro* data to date has demonstrated that eravacycline is less affected by common tetracycline specific mechanisms found in Gram-positive and Gram-negative pathogens. Additionally, eravacycline retains *in vitro* activity against Gram-negative pathogens resistant to other classes of antibiotics, including multidrug-resistant *Enterobacteriaceae* that produce extended-spectrum beta-lactamases (ESBL), AmpC beta-lactamases, and/or carbapenemases; and carbapenem-resistant *Acinetobacter baumannii.* Global surveillance studies conducted to date have demonstrated little decrease in susceptibility of eravacycline over time.

- *Favorable safety and tolerability profile.* Eravacycline has been generally well tolerated in the Phase 1, Phase 2 and Phase 3 clinical trials that Tetraphase has conducted through February 2018. In the Phase 2 and Phase 3 clinical trials investigating the safety and efficacy of eravacycline for treatment of cIAI, no patient suffered any drug-related serious adverse events (SAEs), and safety and tolerability of eravacycline was comparable to the respective active comparators for each clinical trial, with the exception of mild infusion site reactions, nausea and vomiting which occurred more frequently than comparators (ertapenem and meropenem). However, the rate at which gastrointestinal adverse events (AEs) occurred in the eravacycline arms of clinical studies was at a significantly lower level compared to tigecycline (TIG), based on published data. In addition, since eravacycline is not a beta-lactam, it offers an alternative treatment for patients with allergies to this commonly used antibiotic class.

- *Active against MDR bacteria in ways that tetracyclines currently on the market or in development are not.* Eravacycline is differentiated from its competitors with higher potency observed *in vitro* across multiple gram negative cocci organisms, particularly CRAB and CRE. Eravacycline also showed excellent in vitro potency against MSSA, MRSA, VSE, VRE and other important gram positives species.

- *Convenient dosing regimen.* We believe that eravacycline will be able to be administered as a first-line empiric monotherapy with twice-daily dosing, avoiding the need for complicated dosing and multi-drug regimens. This may help to reduce the associated risk of drug-drug interactions and adverse drug reactions inherent to combination medication regimens.

- *No dosage adjustment required for impaired renal function.* Unlike some other classes of antibiotics, such as beta-lactams, eravacycline does not require dosage adjustment in patients with impaired renal function. In addition to convenience, this ensures that patients with compromised renal function do not suffer high drug levels, which could lead to toxicity or decreased tolerability, or low drug levels, which could result in loss of efficacy.

Development of Eravacycline by Tetraphase

Phase 3 Clinical Trials in cIAI

Eravacycline (Xerava) was approved for the treatment of cIAI in adults by the United States FDA, on 27 August 2018 and by the European Medicines Agency, or EMA, on 20 September 2018. Approval of eravacycline was based on the IGNITE (Investigating Gram-Negative Infections Treated with Eravacycline) Phase 3 program. In the first of these pivotal Phase 3 trials, referred to as IGNITE-1, adult patients with cIAI treated with twice-daily eravacycline met the primary endpoint by demonstrating statistical non-inferiority of clinical response compared to ertapenem, a carbapenem and a standard of care treatment for cIAI. In this trial, eravacycline was observed to be generally well-tolerated compared to ertapenem. In the second pivotal phase 3 clinical trial of eravacycline in patients with cIAI, referred to as IGNITE-4, twice-daily IV eravacycline met the primary endpoint by demonstrating statistical non-inferiority of clinical response compared to meropenem, another standard of care treatment, and was again generally well-tolerated compared to meropenem. In both IGNITE-1 and IGNITE-4, eravacycline achieved high clinical cure rates in patients with poly-microbial infections (Gram-negative, Gram-positive, and anaerobic infections), including resistant isolates.

IGNITE-1 and IGNITE-4

Study Designs

IGNITE-1 and IGNITE-4 were designed as a randomized, double blind, double dummy, multicenter, prospective non-inferiority studies. The studies compared intravenous (IV) eravacycline (1 mg/kg every 12 hours) to either IV ertapenem (1 g every 24 hours) in the case of IGNITE-1 or IV meropenem (1 g every 8 hours) in the case of IGNITE-4. The trials were designed to be consistent with the FDA's cIAI guidance at the time each trial was conducted. Under FDA guidance, the primary endpoint for each trial was the clinical response at the TOC visit (25-31 days after randomization) in the microbiological intent-to-treat, or micro-ITT, population which consisted of all randomized patients who had baseline bacterial pathogens that cause cIAI and against at least one of which eravacycline and ertapenem had antibacterial activity. Under EMA guidance, the primary endpoint of the trial was clinical response at the TOC visit in the modified intent-to-treat, or MITT, population which consisted of all patients who received at least one dose of study drug, and in the clinically evaluable, or CE, patient population, which consisted of all randomized patients in the trial who meet key inclusion/ exclusion criteria and followed other important components of the trial. In IGNITE-1, 270 patients were randomized to receive eravacycline, and 271 patients were randomized to receive ertapenem. In IGNITE-4, 250 patients were randomized to receive eravacycline, and 249 to receive meropenem. Patients had to meet all of the following inclusion criteria: hospitalized for cIAI requiring intervention; 18 years or older; evidence of systemic inflammatory response; abdominal pain or flank pain caused by cIAI; able to provide informed consent; and diagnosis of cIAI with sonogram or radiographic imaging or visual confirmation.

IGNITE-1Efficacy

In December 2014, Tetraphase announced that eravacycline met the primary endpoint of statistical non-inferiority of clinical response at the TOC visit, under the guidance set by the FDA and the EMA,

as shown in the table below. The primary analysis under the FDA guidance was conducted using a 10% non-inferiority margin in the micro-ITT population. Under the EMA guidance, the primary analysis was conducted using a 12.5% non-inferiority margin in the CE and MITT patient populations.

IGNITE-1: Primary Efficacy Analysis for the U.S. FDA (Clinical Response at TOC Visit)

	No.(%)		
Population	**Eravacycline, 1.0 mg/kg Every 12h**	**Ertapenem 1.0g Every 24 h**	**Difference (95% CI)**
Modified Intent-to-treat	N = 270	N = 268	…
Clinical Cure	235 (87.0)	238 (88.8)	-1.80 (-7.4 to 3.8)
Clinical Failure	19 (7.0)	15 (5.6)	…
Indeterminate / Missing	16 (5.9)	15 (5.6)	…
Microbiological Intent-to-treat	N = 220	N = 226	…
Clinical Cure	191 (86.8)	198 (87.6)	-0.80 (-7.1 to 5.5)
Clinical Failure	19 (8.6)	11 (4.9)	…
Indeterminate / Missing	10 (4.5)	17 (7.5)	…
Clinically Evaluable	N = 239	N = 238	…
Clinical Cure	222 (92.9)	225 (94.5)	-1.7 (-6.3 to 2.8)
Clinical Failure	17 (7.1)	13 (5.5)	…
Microbiologically Evaluable	N = 198	N = 199	…
Clinical Cure	181 (91.4)	189 (95.0)	-3.6 (-8.9 to 1.5)
Clinical Failure	17 (8.6)	10 (5.0)	…

Source: JAMA Surg. 2017;152(3):224-232

IGNITE-1 Safety

Treatment emergent adverse events (TEAEs) were observed in 41.8% (113/270) of eravacycline treated patients and in 27.9% (75/268) patients treated with ertapenem. It is important to note that the reported TEAE rates include all events, regardless of relationship to study drug; less than half of the events reported in either treatment group were considered related to study drug. The number and percentage of patients who experienced severe TEAEs, including life-threatening and fatal events, were similar between both treatment groups: 15 (5.6%) for eravacycline and 16 (6.0%) for the ertapenem. The number of patients who experienced TEAEs by preferred term in each treatment group was similar for vomiting, anemia, pyrexia, and diarrhoea. Nausea and phlebitis were the exceptions: nausea was observed in 22 patients (8.1%) in the eravacycline group and 2 patients (0.7%) in the ertapenem group, and phlebitis was observed in 8 patients (3.0%) in the eravacycline group and 1 patient (0.4%) in the ertapenem group.

IGNITE-4 Efficacy

In July 2017, Tetraphase announced that eravacycline met the primary endpoint of statistical non-inferiority of clinical response at the TOC visit, under the guidance set by the FDA and the EMA. The primary efficacy analysis under the FDA guidance was conducted using a 12.5% non-inferiority margin in the micro-ITT population. Under the EMA guidance, the primary analysis was conducted using a 12.5% non-inferiority margin of the MITT and CE patient populations.

IGNITE-4: Primary Efficacy Analysis for the U.S. FDA (Clinical Response at TOC Visit)

Population	Eravacycline	Meropenem	Difference (95% CI)
Modified Intent-to-treat	N = 250	N = 249	…
Clinical Cure	231 (92.4)	228 (91.6)	0.8 (-4.1, 5.8)
Clinical Failure	7 (2.8)	9 (3.6)	…
Indeterminate / Missing	12 (4.8)	12 (4.8)	…
Microbiological Intent-to-treat	N = 195	N = 205	…
Clinical Cure	177 (90.8)	187 (91.2)	-0.5 (-6.3, 5.3)
Clinical Failure	7 (3.6)	7 (3.4)	…
Indeterminate / Missing	11 (5.6)	11 (5.4)	…
Clinically Evaluable	N = 225	N = 231	…
Clinical Cure	218 (96.9)	222 (96.1)	0.8 (-2.9, 4.5)
Clinical Failure	7 (3.1)	9 (3.9)	…
Indeterminate / Missing	0	0	…
Microbiologically Evaluable	N = 174	N = 194	…
Clinical Cure	167 (96.0)	187 (96.4)	-0.4 (-4.9, 3.8)
Clinical Failure	7 (4.0)	7 (3.6)	…
Indeterminate / Missing	0	0	…

Source: Clin Infect Dis. 2019 Sep 15; 69(6): 921–929.

IGNITE-4 Safety

TEAEs occurred in 37.2% (93/250) of patients in the eravacycline group compared to 30.9% (77/249) in the meropenem group. It is important to note that the reported TEAE rates include all events, regardless of relationship to study drug; less than half of the events reported in either treatment group were considered related to study drug. The most common AEs seen in patients who received eravacycline were nausea (4.8%), vomiting (3.6%), infusion site phlebitis (3.2%) and diarrhea (2.4%), each of which was observed more frequently in the eravacycline arm comparted to the meropenem arm.

Notably, as shown in the table below, in a pooled analysis from IGNITE-1 and IGNITE-4, eravacycline achieved high clinical cure and microbiological eradication rates in patients with Gram-negative pathogens, including resistant isolates.

Baseline Pathogen (No./Total no.)	Eravacycline%
Enterobacteriaceae (277/314)	88.2
CEPH-R (38/42)	90.5
ESBL confirmed (32/36)	88.9
CRE confirmed (1/1)	100
MDR (35/39)	89.7
Acinetobacter species (13/13)	100
CEPH-R (13/13)	100
ESBL confirmed (5/5)	100
CRAB confirmed (3/3)	100
MDR (12/12)	100

Source: Tetraphase

IGNITE-2 and IGNITE-3

Tetraphase conducted two Phase 3 trials (IGNITE-2 and IGNITE-3) evaluating the efficacy and safety of once-daily intravenous (IV) eravacycline compared to levofloxacin and ertapenem for the treatment

of patients with complicated urinary tract infections, or cUTI, respectively. These two trials did not demonstrate non-inferiority in the efficacy of eravacycline for the combined endpoints of clinical cure and microbiological success in the microbiological intent-to-treat (micro-ITT) population at the test-of-cure visit and eravacycline is not indicated for the treatment of complicated urinary tract infections in the United States or EU.

Our Clinical Development Activities and Clinical Development Plan in Our Territory

We have completed a PK bridging trial in China and are conducting a Phase 3 clinical trial in cIAI patients in China, which we believe together could form the basis for an NDA submission in China. The main purpose of the PK bridging trial is to rule out ethnic differences in the PK profile between Chinese and non-Chinese subjects, as measured by Cmax, AUC and half-life, among other parameters. Studies on ethnic differences are a required part of NDA submission to the NMPA if most of the clinical data are generated from non-Chinese population and need to be bridged to the Chinese population. The PK bridging trial is equivalent to a Phase 1 clinical trial. The completion of the PK bridging trial will not automatically bring the drug to Phase 3 study, but is required for NDA submission, while the Phase 3 study needs to be considered and approved by the regulators on a case-by-case basis. We obtained separate IND approvals for the PK bridging trial and the Phase 3 clinical trial and had been conducting these two trials concurrently. We received approval in Singapore for eravacycline in cIAI in April 2020 based on clinical data generated by Tetraphase and expect to initiate commercial activities in Singapore by the end of 2020.

PK Bridging Trial in China

Since in-licensing eravacycline from Tetraphase, we have completed a single-center, randomized, double-blind, placebo-controlled clinical study to assess the PK, safety and tolerability of single-dose and multi-dose IV infusion of eravacycline in healthy Chinese subjects. The single-dose portion of the study consisted of 3 ascending dose groups (0.5 mg/kg; 1 mg/kg; and 2 mg/kg). The multi-dose portion of the study included a single 1 mg/kg dose group. Subjects could enter the multi-dose administration arm (1 mg/kg q12h for 10 consecutive days) following the single-dose study and a 10-day washout period. Subjects who completed at least 5 days of dosing (9 consecutive doses) completed all the study procedures after their last dose.

Twenty-nine healthy Chinese subjects were enrolled in the study. 28 subjects were randomized to single dose parts with 3 dosage arms (every arm had 2 placebo treatment). All of the subjects completed the single-dose period study by receiving a single dose of the investigational product and following the study procedures required by the protocol. A total of 12 subjects were randomized into multiple dose parts (including 2 subjects for placebo treatment, and 11/12 subjects were carried over from single dose 1mg/kg arm). Every subject in the multi-dose period received at least one dose of investigational product. Three subjects completed full dose duration drug administration and study procedures as required, nine subjects early discontinued the treatment due to AE, including early withdrawal of 3 subjects. Among these nine discontinued patients (around Day 6 and totaling 11-15 doses), 6/9 cases were due to GI effects (including nausea, vomiting and abdominal discomfort) and 3/9 cases were due to infusion site reactions. GI-related AEs were recovered within 1-2 days after treatment discontinued, and infusion site reaction cases were all fully recovered within two weeks after dosing was discontinued and after applying Hirudoid, a local dermatological Mucopolysaccharide Polysulfate cream.

The PK parameters of eravacycline in healthy Chinese subjects after a single dose IV infusion of 0.5 mg/kg, 1 mg/kg, and 2 mg/kg and after multi-dose administration are generally consistent with the

PK parameters from subjects outside of China. The distribution and elimination of eravacycline in the human body are similar across all dose groups. Eravacycline distributes extensively in the human body with strong tissue penetration. The Cmax, AUC0-12h, AUC0-24h, and AUC0-inf of eravacycline increased with the increase of dosage in all the single dose groups. Vd was 233.8 L, 279.4 L, and 265.5 L in each group. T1/2 ranged from 15.42 to 20.27 hours. Cmax, AUC0-last, and AUC0-inf were dose proportional. The results of multi-dose IV infusion of eravacycline at 1 mg/kg q12h showed that steady state was reached on day 4. Mean T1/2 was 29.64 hours and clearance was 10.2 L/h. Eravacycline accumulates in the human body to a certain degree after the multi-dose administration.

The proposed target dose of eravacycline (1 mg/kg q12h) is safe in healthy Chinese subjects. The safety and tolerability of eravacycline in Chinese subjects was similar to that in the Phase 1 clinical studies conducted by Tetraphase. A total of 118 treatment emergent adverse events (TEAEs) were reported in 24 subjects in both single-dose and multi-dose periods of study. The TEAEs were mild to moderate in severity. No SAEs were reported, and no subject died during the study. The reported AEs were consistent with the previously listed AEs of eravacycline and the known safety profile of tetracycline antibiotics. All AEs were resolved spontaneously before study completion.

The tables below summarize treatment-related TEAEs in the single dose and multiple dose portion of the study.

Summary of drug-related TEAEs by MedDRA Preferred Term—single dose portion

	Eravacycline 0.5 mg/kg (N=6) n (%)	Eravacycline 1.0 mg/kg (N=10) n (%)	Eravacycline 2.0 mg/kg (N=6) n (%)	Placebo (N=6) n (%)
Gastrointestinal disorders	**0**	**0**	**4 (66.7%)**	**0**
Nausea	0	0	4 (66.7%)	0
Vomiting	0	0	1 (16.7%)	0
Nervous system disorders	**1 (16.7%)**	**0**	**0**	**1 (16.7%)**
Dizziness	1 (16.7%)	0	0	1 (16.7%)

Summary of drug-related TEAE by MedDRA Preferred Term—multiple dose portion

	Eravacycline 1.0 mg/kg q12h (N=10) n (%)	Placebo q12h (N=2) n (%)
Gastrointestinal disorders	**10 (100.0%)**	**1 (50.0%)**
Vomiting	10 (100.0%)	1 (50.0%)
Nausea	9 (90.0%)	1 (50.0%)
Abdominal discomfort	3 (30.0%)	0
General disorders and administration site conditions	**10 (100.0%)**	**0**
Injection site pain	5 (50.0%)	0
Injection site reaction	5 (50.0%)	0
Fatigue	1 (10.0%)	0
Nervous system disorders	**5 (50.0%)**	**0**
Dizziness	3 (30.0%)	0
Headache	3 (30.0%)	0
Musculoskeletal and connective tissue disorders	**1 (10.0%)**	**0**
Pain in extremity	1 (10.0%)	0

On-Going China Phase 3 Trial in cIAI

In October 2018, we received an IND approval from the NMPA for a Phase 3 clinical trial of eravacycline in cIAI in China. We initiated this trial in April 2019. This registration trial is a bridging trial comparing eravacycline versus ertapenem in cIAI patients. We plan to enroll approximately 150 patients randomized at a 1:1 ratio. The primary endpoint will be clinical response at test of cure. The secondary endpoints will be clinical cure rate and microbiological cure rate at various other time points. At the end of June 2020, 125 subjects have been randomized at a total of 27 sites.

Clinical Development Plan

We plan to continue the on-going China Phase 3 registration trial in cIAI, with completion expected in the second half of 2020, followed by submission of an NDA with the NMPA in the first half of 2021.

We plan to develop eravacycline in Community-acquired Bacterial Pneumonia (CABP) in China. We plan to submit an IND to the NMPA for a phase 3 registrational trial comparing eravacycline to standard of care in moderate to severe hospitalized CABP patients in the second half of 2020.

Material Communications

In October 2018, we received an IND approval from the NMPA for a Phase 3 clinical trial of eravacycline in cIAI in China. The NMPA had no negative feedback for proposed trial design. We are not aware of any legal claims or proceedings that may have an adverse effect on our development for evaracycline. As of the Latest Practicable Date, we have not received objections to our clinical development plans with respect to the regulatory review or approval process of evaracycline.

Licenses, Rights and Obligations

We entered into a license agreement with Tetraphase in February 2018, which granted us commercialization rights to eravacycline for the treatment of cIAI and other indications filed in Mainland China, Taiwan, Hong Kong, Macau, South Korea, and Singapore. In July 2019, we amended our existing license agreement with Tetraphase to expand our commercialization rights to Malaysia, Thailand, Indonesia, Vietnam and the Philippines. For details, please refer to "—Overview of Our License Agreements—Eravacycline" below.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ERAVACYCLINE SUCCESSFULLY.

Etrasimod

Etrasimod: Ulcerative Colitis and Other Autoimmune Diseases

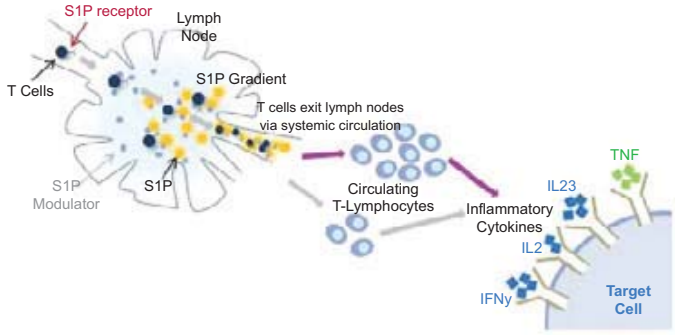
Disease Overview	● Inflammatory bowel diseases, such as ulcerative colitis (UC) and Crohn's disease (CD), are chronic inflammatory conditions of the gastrointestinal tract. UC, CD, and other autoimmune diseases, such as atopic dermatitis (AD), are historically underdiagnosed and undertreated in China. ● The market size of UC in China was RMB3.4 billion in 2019. The market size of the overall autoimmune disease market in China was RMB16.2 billion in 2019.
Product Profile	● Etrasimod is a next-generation, oral, highly selective S1P receptor modulator in development for autoimmune and inflammatory-mediated diseases that we believe, if it ultimately obtains regulatory approval, has best-in-class potential. ● Etrasimod met the predefined efficacy endpoints and was well tolerated in a randomized, double-blind Phase 2 study in moderate to severe active UC. In the 34-week open-label extension, or OLE, of phase 2 study, etrasimod demonstrated durable, long-term clinical remission and was generally well tolerated in this study. ● With its oral formulation and demonstrated comparable clinical activity to standard of care biologics, etrasimod is well positioned, if it ultimately obtains regulatory approval, to become the therapy of choice for moderate to severe UC in China.
Development Status and Catalysts	● Ongoing – Phase 3 registrational trial in UC ● 2021 – Complete enrollment in Phase 3 registrational trial in UC

Etrasimod is a next-generation, oral, highly selective S1P receptor modulator that we believe, if it obtains regulatory approval, has best-in-class potential. It was discovered by our licensing partner Arena Pharmaceuticals, or Arena, and is designed to provide systemic and local cell modulation by selectively targeting S1P receptor subtypes 1, 4 and 5. Etrasimod has therapeutic potential in many autoimmune and inflammatory-mediated diseases, such as inflammatory bowel diseases (including UC and CD). While biologics are frequently used to treat patients with moderate to severe UC and CD in the United States after the failure of conventional treatments, such as aminosalicylates, corticosteroids and immunomodulators, the treatment landscape is different in China since biologic therapies are not generally available or affordable. We believe etrasimod, with its oral formulation and demonstrated comparable clinical activity to biologics, based on available Phase 2 data in moderately to severely active UC patients, has the potential to become a frontline therapy for moderate to severe UC and CD in China.

In December 2017, we entered into a collaboration and license agreement with Arena, which was amended and restated in January 2019, regarding the development and commercialization of etrasimod. Pursuant to this agreement, Arena granted us an exclusive (subject to certain rights retained by Arena), royalty-bearing license to develop, manufacture and commercialize oral formulations of etrasimod for all uses in humans in Mainland China, Taiwan, Hong Kong, Macau and South Korea.

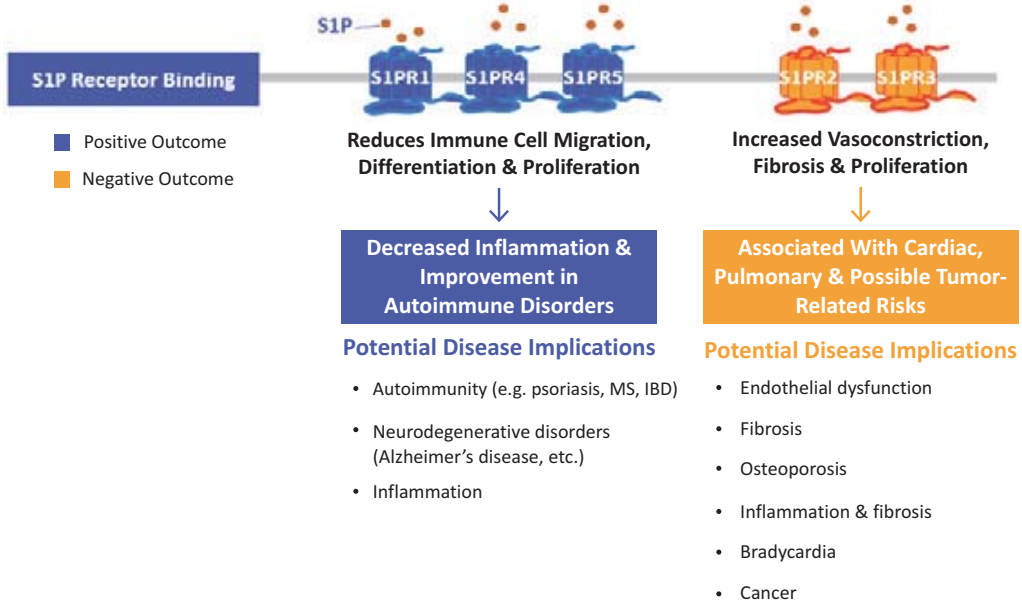
Mechanism of Action

S1P receptors have been demonstrated to be involved in the modulation of several biological responses, including lymphocyte trafficking from lymph nodes to the peripheral blood. By isolating subpopulations of lymphocytes in lymph nodes, fewer immune cells are available in the circulating blood to effect tissue damage.



Source: Frost & Sullivan Report

Unlike previous generation S1P receptor modulators, etrasimod is designed to provide systemic and local cell modulation by selectively targeting S1P receptor subtypes 1, 4 and 5, while avoiding subtypes 2 and 3 that have been associated with potential SAEs.



Source: Arena

Current Treatment Options and Their Limitations

Inflammatory Bowel Disease

Inflammatory bowel diseases, such as ulcerative colitis (UC) and Crohn's disease (CD), are chronic inflammatory conditions of the gastrointestinal tract. Both conditions have a significant impact on the patient's quality of life and can, in many cases, be very aggressive and disabling. UC is characterized

by mucosal inflammation limited to the colon which involves the rectum in approximately 95% of cases and may extend to involve parts or all of the large intestine. In contrast, CD is characterized by full thickness inflammation that can occur anywhere in the gastrointestinal tract but most typically involves the terminal ileum and colon and causes fistulation and scarring. Symptoms for UC and CD can vary, depending on the location and severity of inflammation, but some of the most common are diarrhea, abdominal cramps and rectal bleeding.

A. Ulcerative Colitis (UC)

According to the Frost & Sullivan Report, aminosalicylates are the SOC for the first-line treatment of adult UC and these agents are largely effective for mild to moderate disease. Corticosteroids are often effective for patients with moderate to severe UC, however, safety concerns preclude their long-term use. Moderate to severe UC patients in the United States are provided with more treatment options, including biologic therapies, compared to patients in China, where there remains significant unmet need. For historical reasons, only two biologics therapies, infliximab and vedolizumab, were approved for treating UC in China in 2019 and 2020, respectively, whereas in the United States, adalimumab, golimumab, infliximab, and vedolizumab are all recommended options and routinely used for moderate to severe UC. However, for those patients who do receive biologics, approximately 40%-55% of patients fail to respond, and 65%-80% of patients do not experience a full remission. Furthermore, patients who respond to biologic drugs can lose response over time due to the development of anti-drug antibodies. In addition, the association of current conventional immunosuppressants and anti-TNFα agents with malignancy and opportunistic infections is not ideal. Finally, the subcutaneous or intravenous route of delivery is not convenient. Together, these circumstances suggest there is an opportunity for an effective and well-tolerated oral, small molecule drug to become established as the standard of care in China for UC.

B. Crohn's disease (CD)

According to the Frost & Sullivan Report, choice of treatment for CD is based on the overall evaluation of the disease condition, such as infection status. For patients with mild disease, treatment options include aminosalicylates and budesonide. For patients with moderate disease, corticosteroids are the primary systematic treatment option, while azathioprine, 6-MP and methotrexate can be used for maintenance therapy. For severe patients, oral or intravenous corticosteroids are the primary treatment options, with broad-spectrum antibiotics, such as ciprofloxacin and metronidazole, used to treat patients with infections. Infliximab and adalimumab are the only anti-TNFα agents approved for the treatment for CD in China and can be used to treat moderate-to severe CD patients with several high-risk factors, either alone or combined with azathioprin. According to China's treatment guidelines, thalidomide is recommended off-label usage for CD among patients who cannot afford biologics therapy. However, efficacy and side effects are correlated directly with dosage, which is suggested at 75mg/d at initial stage.

Like UC, significant unmet need remains in the moderate to severe CD population. There is a huge demand for therapies offering improved efficacy in induction and/or maintenance of remission, and improved efficacy in inducing mucosal healing, corticosteroid-free remission, and fistula closure.

Important goals of therapy for inflammatory bowel diseases are to induce and maintain remission while improving the patient's quality of life. Currently available treatment options have limitations in terms of long term efficacy and side effects, have complicated administration regimens, and often fail to induce or maintain remission.

Atopic Dermatitis (AD)

Atopic dermatitis is a chronic, inflammatory skin disorder characterized by dry skin, pruritus, and relapsing lesions. Atopic dermatitis has a severe impact on quality of life, including potential occupational, social, and psychological impairments. Atopic dermatitis pathology is driven by a combination of impaired skin epithelial barriers, altered microbiota, and aberrant inflammation driven by activated immune cells, including skin-infiltrating T cells and dendritic cells.

Several treatment options are available in China, including basic therapies to protect the skin barrier (e.g. moisturizers), topical therapy, systemic therapy, traditional Chinese medicine and ultraviolet therapy. Topical therapy includes corticosteroids, calcineurin inhibitors (tacrolimus and pimecrolimus), and antimicrobial agents. Systemic therapy includes antihistamines and anti-inflammatory mediators (first- or second-generation antihistamines, thromboxane A2 inhibitors and leukotriene receptor antagonist), systemic anti-infective drugs (erythromycin family and tetracycline family), immunosuppressants (cyclosporine and methotrexate), and adjuvant therapy (glycyrrhizic acid agent). Safety concerns limit the long-term use of the current treatment options, particularly for children, due to the increased body surface area to mass ratio in children, which results in increased absorption and systemic exposure. In addition, the current treatment options have been reported to be associated with side effects, including application site burning and stinging. The IL-4Rα antibody dupilumab is often used for the treatment of moderate to severe atopic dermatitis in the United States and has been recently approved in China, but is not yet widely used.

Market Opportunity in China

We believe that a significant unmet need remains in China for differentiated oral agents that are efficacious for induction and maintenance therapy with a favorable side effect profile. As a result of environmental factors, intestinal infectious agents and changes in diet and lifestyle, the prevalence of UC and CD in China has been increasing.

Market Opportunity in UC

The incidence and prevalence of UC have been steadily rising in China. According to the Frost & Sullivan Report, the prevalence of UC in China reached 400.2 thousand in 2019, with a CAGR of 9.4% from 279.8 thousand in 2015. The number is projected to reach 586.7 thousand in 2024 and 918.3 thousand in 2030, representing CAGRs of 7.9% and 7.8%, respectively. In China, the market size of UC market in terms of sales was RMB3.4 billion in 2019, and it is expected to grow to RMB8.1 billion in 2024, representing a CAGR of 18.9% from 2019 to 2024. The market size of UC in China is expected to further grow to RMB15.6 billion in 2030, representing a CAGR of 11.5% from 2024 to 2030.

Set forth below is a summary of the comparisons between etrasimod and its direct competitors in UC in China.

Competitive Landscape for Etrasimod in Ulcerative Colitis

	Etrasimod (Everest / Arena)	Ozanimod (BMS)	CBP-307 (Suzhou Connect)	Upadacitinib (Abbvie)	Vedolizumab (Takeda)	Infliximab (Janssen)	Risankizumab (Abbvie)
China Status	Phase 3	Phase 1	Phase 2	Phase 3	Marketed	Marketed	Phase 3
MoA/Target	S1P receptor modulator			JAK1	Integrin α4β7	TNFα	IL-23
MoA Competitive Advantage	Modulates and effectively inhibits S1P receptors' function, preventing lymphocytes from egressing into circulation and therefore reducing T cell-mediated inflammation			Selectively binds to the target and prevents the lymphocytes trafficking in the circulation either from accessing to or taking effect on the effector site, thereby inhibiting the inflammatory response. Thus in some cases (such as JAK1 inhibitor) will potentially lead to down regulation of the overall immune function.			
Selectivity	▪ 2nd generation ▪ Selective to receptor $S1P_{1,4,5}$ for potential better efficacy ▪ Avoids $S1P_{2,3}$ that triggers off-target side effect	▪ 2nd generation ▪ Selective to receptor $S1P_{1,5}$ ▪ Unable to target $S1P_4$	▪ 2nd generation ▪ Selective to receptor $S1P_{1,5}$ Unable to target $S1P_4$				
PK, PD Characteristics	▪ Half life: 1-1.5 days ▪ Rapid onset and offset of action	▪ Half life: 17 to 21 hours ▪ Slower onset and offset of action	▪ Half life: 1-1.5 days ▪ Rapid onset and offset of action				
Mode of Administration	▪ Oral	▪ Oral	▪ Oral	▪ Oral	▪ Intravenous (IV)	▪ Intravenous (IV)	▪ Subcutaneous (SC) ▪ Intravenous (IV)
Titration	▪ No titration	▪ 7-day titration(4)	▪ Not reported	▪ No titration	▪ Routine monitoring	▪ Routine monitoring	▪ Routine monitoring
Efficacy	▪ Clinical remission rate: **30.6%** at week 12* (ph2, 2mg) ▪ Endoscopic improvement: **41.8%**	▪ Clinical remission rate: **16.4%** at week 8* (ph2, 1 mg) ▪ Endoscopic improvement: **34%**	▪ Not yet available	▪ Clinical remission rate: **13.5%** at week 8* (ph 2b, 30 mg) ▪ Endoscopic improvement: **26.9%**	▪ Clinical remission rate: **16.9%** at week 6* (ph3, 300 mg) ▪ Endoscopic improvement: **41-52%**	▪ Clinical remission rate: **39%** at week 8* (ph3, 300 mg(3))	▪ Not yet available
Safety(1)	▪ Predominantly mild-to-moderate AE ▪ Heart rate reduction: <3.2 bpm(2) without titration ▪ Macular edema: 0% ▪ Liver enzyme elevation: no increase vs. placebo	▪ Predominantly mild-to-moderate AE ▪ Heart rate reduction: 1.2 bpm on day 1 of titration (subtherapeutic) ▪ Macular edema: 0.3% ▪ Liver enzyme elevation: 10%	▪ Details not yet reported	▪ Black box warning for risk of thrombosis, infections and malignancies	▪ Warnings for hypersensitivity reactions and infections	▪ Black box warning for risk of serious infections, malignancies, etc.	▪ Warnings for infections and tuberculosis

* At 3-domain MCS

Source: Frost & Sullivan Industry Report.
Note: These clinical data are collected from different medical publications, not head-to-head research. As a result, these data are only for reference and may not be directly comparable.
(1) Etrasimod safety data from Phase 2 OASIS trial in UC; ozanimod comes from Phase 3 trial in multiple sclerosis
(2) Refers to mean heart rate reduction in the first 24 hours.
(3) 5mg/kg as per dosage in FDA label, calculated based on average weight of 60kg per adult.
(4) For the indication of multiple sclerosis.

Market Opportunity in CD

The prevalence of CD in China increased from 81.1 thousand in 2015 to 133.8 thousand in 2019, representing a CAGR of 13.3%. The prevalence is predicted to reach 202.0 thousand in 2024, representing a CAGR of 8.6% from 2019 to 2024, and 282.7 thousand in 2030, representing a CAGR of 5.8% from 2024 to 2030.

We believe UC and CD may be underdiagnosed and undertreated in China, primarily due to differences in treatment standards, lack of access to biologics drugs and low awareness of the diseases. Compared to some other countries in East Asia, the prevalence of UC and CD in China is significantly lower. For example, the prevalence of UC and CD per 100,000 population in China were 28.6 and 9.5 in 2019, respectively, whereas those in Japan were 63.6 and 21.2 in 2005. We believe increases in diagnosis and treatment rates will further expand etrasimod's addressable market in China.

Market Opportunity in AD

We also believe that a significant unmet need remains for drugs targeting atopic dermatitis in China. The prevalence of atopic dermatitis in China was 61.5 million in 2019 and is predicted to reach 63.9 million in 2024, representing a CAGR of 0.8% from 2019 to 2024, and then 65.9 million in 2030, representing a CAGR of 0.5% from 2024 to 2030. Traditional Chinese medicine is recommended for the treatment of atopic dermatitis in China.

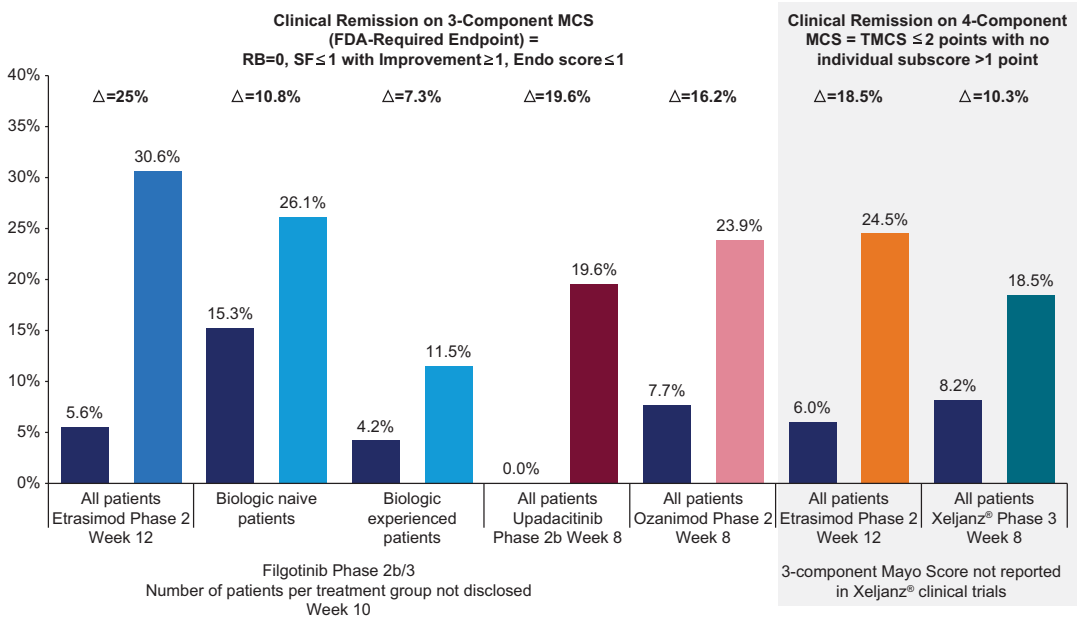
Competitive Advantages

Etrasimod is an investigational, oral, next-generation, highly selective S1P receptor modulator with potential for best-in-class activity being evaluated for multiple immune-mediated inflammatory

diseases. We believe that the following key attributes of etrasimod, observed in clinical trials and pre-clinical studies, differentiate etrasimod from other agents in development for inflammatory bowel disease, including other S1P modulators, other oral agents, such as JAK inhibitors, and parenteral biologics, such as anti-TNF-α inhibitors.

- *Etrasimod's highly selective S1P modulation ($S1P_{1,4,5}$) reduces inflammation while avoiding off-target activity*. As compared with fingolimod, a non-selective SIP modulator that was approved by the U.S. FDA for multiple sclerosis in 2010, etrasimod has highly specific activity at receptor binding ($S1P_{1,4,5}$), which helps reduce immune cell migration, differentiation and proliferation, resulting in a decreased inflammation, while avoiding S1P subtypes 2 and 3 which are associated with potential cardiac, pulmonary and tumor-related risks. No evidence of off-target activity was observed in the Phase 2 OASIS trial of etrasimod.

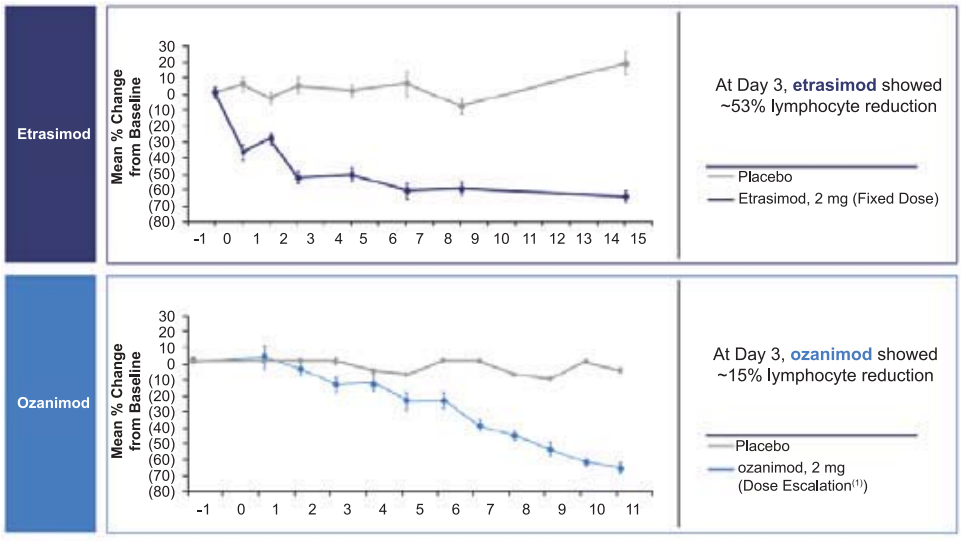
- *Etrasimod has potentially best-in-class remission rate based on available data.* While head to head clinical trials have not been conducted and caution must be used with cross-trial comparisons, etrasimod in Arena's Phase 2 OASIS trial for patients with moderately to severely active UC demonstrated numerically higher clinical remission rates (24.5%) as compared, in a separate Phase 2 trial, with the clinical remission rate (16.4%) for ozanimod, an oral selective agonist of S1P1 and S1P5 receptors that recently reported positive topline Phase 3 data in moderately to severely active ulcerative colitis. In addition, in the Phase 2 OASIS open-label extension study of etrasimod, among patients who achieved clinical response or clinical remission on 2 mg etrasimod at 12 weeks, 75% experienced sustained clinical remission at 46 weeks of therapy.



Note: TMCS = Total Mayo Clinic Score; RB = Rectal Bleeding; SF = Stool Frequency; Endo = Endoscopy. No direct head-to-head data available; caution advised when comparing data across clinical studies

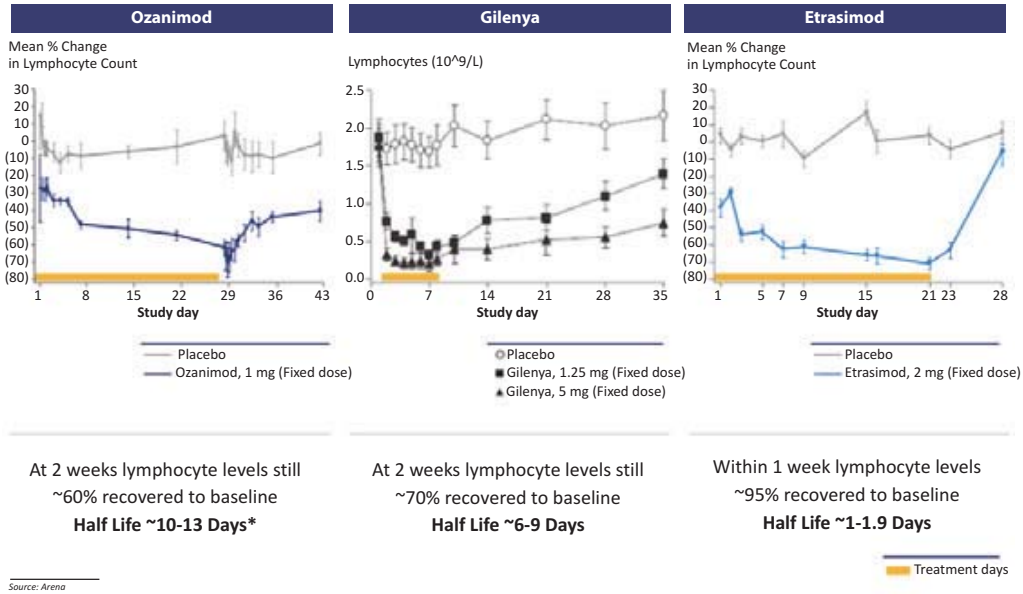
- *Etrasimod has a quick onset and offset of action.* Etrasimod was observed to cause a more rapid onset of lymphocyte reduction within 3 days (53%), whereas ozanimod shows only a 15% lymphocyte reduction over the same time period. In addition, etrasimod has a terminal half life of approximately 1-1.5 days, compared to a terminal half life of 10-13 days for ozanimod. As a result, lymphocyte activity recovers much more quickly after cessation of etrasimod treatment, as shown in the diagram below.

Etrasimod Has a Quick Onset of Action (Phase 1 Data)



Source: Arena
Note: data truncated at day 11(ozanimod) and 15 (etrasimod) to show on treatment onset effects. Data collected from separate studies - cannot be directly compared
(1) after dose escalation of ozanimod (0.3 mg/d on days 1=3; 0.6 mg/d on days a and 5; 2 mg/d on days 6 and 7; and 3 mg/d on days 8-10

Etrasimod Has a Quick Offset of Action



Source: Arena
Note: Data Collected from Separate Studies - Cannot be Directly Compared

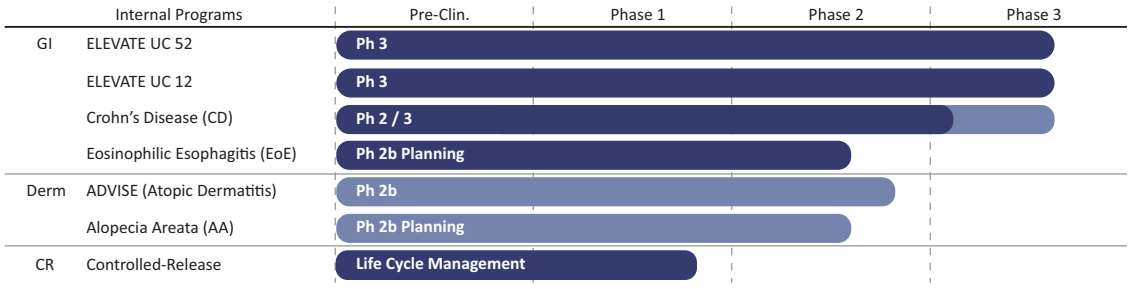
- *Etrasimod is convenient to administer and requires minimal monitoring.* Etrasimod can be administered orally and, based on available clinical data, does not required dose titration upon initiation of therapy. In addition, it does not require routine monitoring, as compared with JAK inhibitors and parenteral biologics, agents with different mechanisms of action used to treat inflammatory bowel disease. Parenteral biologics include anti-TNF-α antibodies, anti-IL 23 antibodies and anti-integrin receptor antibodies. Notably, oral JAK inhibitors suffer from drug-related AEs highlighted by a class-based black box warning for infections, cardiovascular mortality, malignancy and thrombotic complications. In addition, JAK effect in UC is unremarkable and requires routine monitoring as it demonstrates changes in Hb, ANC, ALC and

LFT. No elevated LFTs, abnormal PFTs or macular edema was observed in etrasimod clinical studies to date.

Development of Etrasimod by Arena

Set forth below is a summary of the clinical development status of etrasimod by Arena, our licensing partner. As the exclusive licensee of etrasimod in Greater China, we believe etrasimod is well positioned to become the therapy of choice for moderately to severely active UC in China. We have completed a Phase 1 PK bridging trial in China and are conducting a Phase 3 registration trial in UC in our licensed territories. In addition, depending on Arena's data readout in a broad array of additional programs, including in Crohn's disease, atopic dermatitis, EOE and AA, we also plan to evaluate the option of developing etrasimod in these indications through joint global Phase 3 studies.

Development Status of Etrasimod by Arena



Source: Arena

Clinical Trials in UC

On-Going Phase 3 Clinical Trial

Arena is currently conducting a global Phase 3 clinical program for etrasimod in patients with UC (ELEVATE UC).

Study Design

Etrasimod is currently being evaluated in two Phase 3 global registrational studies in UC. In June 2019, the first subject was dosed in ELEVATE UC 52, which is the first of two registrational trials within the Phase 3 ELEVATE UC registrational program evaluating etrasimod 2 mg in subjects with moderately to severely active UC. ELEVATE UC 52 is a 2:1 randomized, double-blind, placebo-controlled one-year trial to assess the efficacy and safety of etrasimod 2 mg once-daily on clinical remission after both 12 and 52 weeks. The primary endpoint is the U.S. FDA-required, three-domain, modified Mayo Score, for which etrasimod showed benefit compared to placebo in the Phase 2 OASIS study. Key secondary measures include the efficacy of etrasimod on clinical response, symptomatic response and remission, endoscopic improvement, corticosteroid-free remission, and mucosal healing in these subjects at time points up to 52 weeks of treatment. The ELEVATE UC 52 study is designed to enroll approximately 370 subjects and to be conducted in more than 40 countries. Arena expects to initiate a second Phase 3 trial, ELEVATE UC 12, a 12-week induction period trial in 330 subjects in the second half of 2020.

Arena expects to report topline data for both ELEVATE UC 12 and 52 by the end of 2021.

Completed Phase 2 OASIS Trials

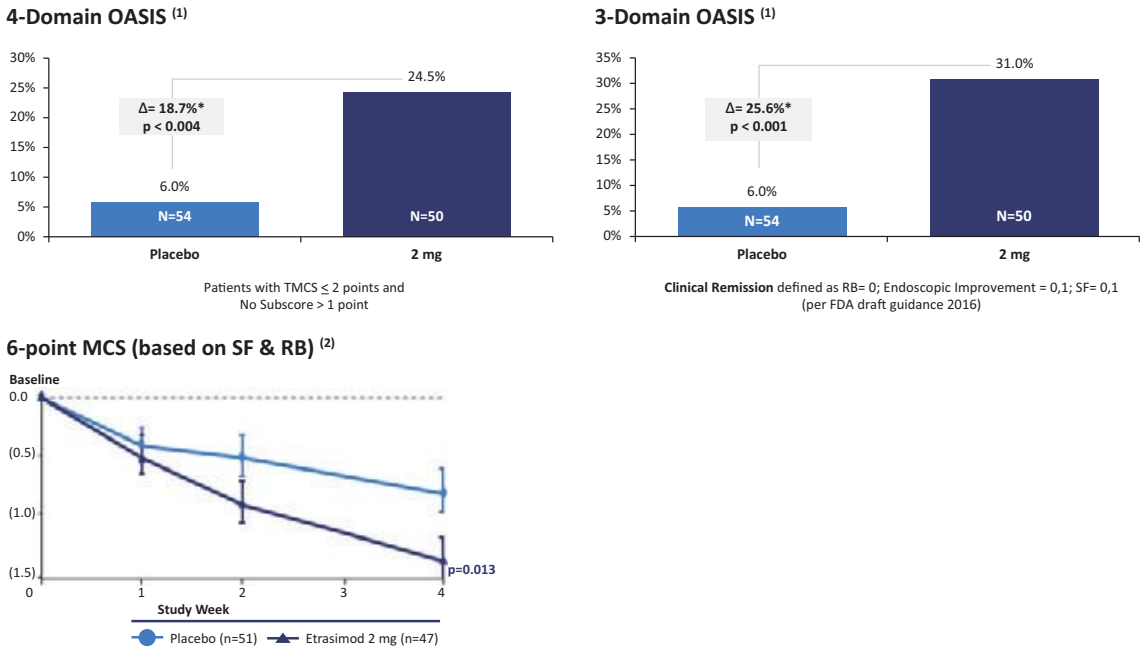
In 2015, Arena initiated OASIS, a dose finding 12-week randomized, double-blind, placebo-controlled multinational Phase 2 clinical trial of etrasimod in moderately to severely active UC. In 2018, Arena announced positive topline results from OASIS. In 2019, Arena announced positive results from a 34-week open-label extension, or OLE, of the Phase 2 OASIS trial.

Study Design

The aim of OASIS was to investigate dose response and compare the active arm(s) to placebo. The trial evaluated the effects of etrasimod at 1 mg and 2 mg versus placebo on multiple efficacy measures including a three-component partial Mayo Clinic Score, clinical remission, clinical response, and endoscopic improvement in 156 patients. The OLE of OASIS enrolled 118 patients (84% of OASIS study completers), of which 22 completers also received 2 mg in OASIS, for a total of 46 weeks of treatment with etrasimod.

Efficacy

In OASIS, etrasimod demonstrated strong efficacy across multiple Mayo Scores and rapid improvement in clinical symptoms. After 12 weeks of treatment, the modified Mayo Clinic Score (3-component Mayo Clinic Score)) improved from baseline by 1.50 in the placebo arm, by 1.94 (P=.146) in the etrasimod 1 mg/kg arm, and by 2.49 (P=.009) in the etrasimod 2 mg/kg arm. The proportion of patients with endoscopic improvement (subscore 0 or 1) at week 12 was 17.8% with placebo, 22.5% with in the 1 mg etrasimod arm (P=.306), and 41.8% with in the 2 mg etrasimod arm (P=.003). The proportion of patients that achieved clinical remission at week 12 was 8.1% in placebo group, 16.0% in etrasimod 1 mg group, and 33.0% in etrasimod 2 mg group. Other exploratory endpoints, including clinical response based on the Mayo Clinic score, histologic improvement, and histologic remission, showed a significant benefit with etrasimod 2 mg vs placebo. Rectal bleeding scores improved significantly over time in both etrasimod arms compared with placebo (P<.05), and dose-dependent reductions in lymphocyte counts were observed in both etrasimod arms (P<.001).



source: Arena

(1) Δ = % difference from placebo estimated using Mantel-Haenszel method adjusted with current oral corticosteroid use and prior exposure to TNFα antagonists

(2) Δ = 15 mean change from baseline, The 6-point MCS is based on stool frequency and rectal bleeding. Least-squares mean and standard error were estimated using a mixed-effects model with current oral corticosteroid use, prior exposure to anti-TNFα, treatment, week, and treatment-by-week interaction as factors and baseline value as covariate

Source: Arena

In addition, in the OLE of OASIS, etrasimod demonstrated sustained clinical activity at Week 46 with a clinical remission rate of 75%, a clinical response rate of 93% and an endoscopic improvement rate of 77%.

Safety

In OASIS, etrasimod was generally safe and well tolerated. Set forth below is a key summary of the safety results:

- AEs were predominantly mild to moderate.
- No SAEs at the 2 mg dose.
- Impact on heart rate and atrioventricular (AV) conduction was minimal throughout the study with no SAEs or discontinuations related to heart rate changes or AV block.
- No increases in liver function tests compared to placebo.
- No reports of macular edema.
- No reports of abnormal pulmonary function tests.
- No JAK inhibitor-like liabilities.

There were no subject deaths during the study. Overall, 55.1% of subjects reported 1 or more treatment-emergent adverse events (TEAEs), and TEAEs that were deemed to be related to the study drug were reported in 7.7% of subjects (7.7%, 10.0% and 5.6% in the Etrasimod 1mg, 2mg and placebo groups, respectively).

All study drug-related TEAEs were mild (grade 1) to moderate (grade 2) in severity.

The most commonly reported TEAEs in all groups including UC worsening, upper respiratory tract infection, nasopharyngitis, and anemia. No patients treated with Etrasimod reported a grade 3 or above TEAE of infection, disorders of the eye, blood (except anemia), hepatobiliary system, or lymphatic system; or lymphocyte count of <0.2X 109/L.

Ten serious TEAEs in 9 patients (5.8% of overall patients, 3 patients receiving etrasimod 1 mg and 6 patients receiving placebo; 0 patients receiving etrasimod 2mg). The details of serious TEAEs are provided in the table below.

Serious TEAEs in OASIS Trial (Safety Population)

	Placebo (n=54)	Etrasimod 1mg (n=52)	Etrasimod 2mg (n=50)
Patients with serious TEAEs, n (%) [number of events]	6 (11.1) [7]	3 (5.8) [3]	0
Gastrointestinal disorders, n (%)	5 (9.3)	2 (3.8)	0
Abdominal pain	1 (1.9)	0	0
Ulcerative colitis-worsening	3 (5.6)	2 (3.8)	0
Duodenal ulcer perforation	1 (1.9)	0	0
Hepatobiliary disorders, n (%)	1 (1.9)	0	0
Infections and infestations, n (%)	0	1 (1.9)	0
Renal and urinary disorders, n (%)	1 (1.9)	0	0

In addition, AEs in the OLE study were generally mild to moderate in severity, too, and no new safety findings were noted.

Other On-Going Exploratory Phase 2 Studies

Arena is also currently evaluating etrasimod in a Phase 2/3 program for Crohn's disease, a Phase 2b program in atopic dermatitis, and plans to evaluate etrasimod in a Phase 2b program in eosinophilic esophagitis, or EOE, and a Phase 2 program in alopecia areata, or AA.

In December 2019, Arena initiated a Phase 2/3 program to evaluate etrasimod in Crohn's disease (CULTIVATE). The CULTIVATE program is designed to provide operationally seamless transition across trials to facilitate continued enrolment activities across the program's global site network. The Phase 2 portion of CULTIVATE includes dose-ranging assessment of the safety and efficacy of etrasimod 2 mg and 3 mg. The Phase 2/3 primary efficacy endpoints are endoscopic response at Week 14 and Crohn's disease activity. The Phase 3 will include two induction trials with re-randomization of clinical responders into a single maintenance trial.

In May 2020, Arena completed full enrolment of the Phase 2b ADVISE trial evaluating etrasimod for the potential treatment of moderate-to-severe atopic dermatitis. The trial enrolled 140 patients at study sites across the United States, Canada and Australia, with a primary efficacy endpoint of percent change in Eczema Area and Severity Index (EASI) from baseline to week 12.

Controlled Release Formulation

In April 2020, Arena announced positive topline data from a Phase 1 clinical study evaluating controlled-release (CR) delivery profiles for etrasimod. Results from the study demonstrated that CR delivery enabled a greater than 75% reduction in the average heart rate effect of etrasimod during its 4-hour monitoring period, with heart rate slowing by only low single digits from baseline with no titration. At additional measurements over 24 hours, the etrasimod CR heart rate effect was reduced or

similar compared to etrasimod. Of note, the rate of change in heart rate was reduced greater than 50% with etrasimod CR delivery. On the basis of these results, Arena will embark on a product development program to rapidly develop etrasimod CR and integrate it into multiple, ongoing clinical development programs. Additionally, a recently filed provisional patent application for etrasimod CR has the potential to extend patent coverage beyond that for the composition of matter plus patent term extension.

Our Clinical Development Activities and Clinical Development Plan in Our Territory

We have completed a PK bridging trial in China and are conducting a Phase 3 clinical trial in UC patients in Mainland China, Taiwan and South Korea, which we believe together could form the basis for an NDA submission in these regions. The main purpose of the PK bridging trial is to rule out ethnic differences in the PK profile between Chinese and non-Chinese subjects, as measured by Cmax, AUC and half-life, among other parameters. Studies on ethnic differences are a required part of NDA submission to the NMPA if most of the clinical data are generated from non-Chinese population and need to be bridged to the Chinese population. The PK bridging trial is equivalent to a Phase 1 clinical trial. The completion of the PK bridging trial will not automatically bring the drug to Phase 3 study, but is required for NDA submission, while the Phase 3 study needs to be considered and approved by the regulators on a case-by-case basis. We obtained separate IND approvals for the PK bridging trial and the Phase 3 clinical trial and had been conducting these two trials concurrently.

Completed PK Bridging Trial in China

After in-licensing etrasimod from Arena, we have completed a randomized, double-blind, placebo-controlled, dose-escalating Phase 1 clinical study in China to evaluate the safety, tolerability, PK and PD characteristics of etrasimod. Healthy Chinese adult subjects were administered single and multiple doses of etrasimod in fasted state to evaluate its safety, tolerability, PK and PD characteristics. There were 3 dose cohorts (1 mg, 2 mg, and 2 mg/3 mg) in this study. Each subject in the 1 mg cohort and 2 mg cohort received a single dose of etrasimod, 1 mg/placebo or 2 mg/placebo on Day 1. This was followed, after a washout for 7 days, by 10 days of multiple dose administration. For the 2 mg/3 mg cohort, a dose escalation regimen was applied. Each subject received etrasimod 2 mg/placebo for 7 days and followed by 3 mg/placebo for 7 days. The primary endpoints were safety and tolerability. The secondary endpoints were PK and PD profiles.

Thirty-six subjects were randomized and treated (12 for each dose cohort). Etrasimod was well tolerated at all doses tested in the study. There were no deaths or SAEs in the study. All TEAEs were CTCAE Grade 1 in severity and resolved without treatment. The most common drug-related TEAE in etrasimod groups was heart rate reduction. The observed first dose heart rate lowering effect was mild and transient, with gradual attenuation thereafter, which is consistent with the findings in a previous Arena-sponsored etrasimod studies. The maximal effects on heart rate decrease occurred on the first day of dosing or upon dose escalation and peaked at around 3 to 4 hours postdosing. Dose escalation from 2 mg to 3 mg did not increase the magnitude of heart rate reduction. Transient, asymptomatic second-degree atrioventricular (AV) block type 1 and heart rate lowering were seen in 1 patient receiving 2mg etrasimod on Day 1 after first dose. This subject had a pre-dose electrocardiogram (ECG) showing sinus rhythm and a baseline PR interval of 200 ms. At 2 hours after first dose on Day 1, the subject had evidence of second-degree AV block type 1 and heart rate lowering, the second-degree AV block was resolved by hour 8. Drug intake was interrupted after the first dose but was restarted on day 4, and the patient completed the study (both the 12-week induction and 34-week open-label treatment) without a further episode of second-degree AV block.

Vital signs, ECG and Holter monitoring were performed in OASIS study to monitor the cardiac safety. Vital signs and ECGs were measured at screening and each study visit (total 6 visits). On Day 1, vital signs and ECG were measured at baseline and hourly through 6 hours post-dose. Holter monitoring was performed for each subject beginning -24 hours pre-dose through 24 hours post-dose Day 1.

No liver enzyme value greater than 3× upper levels of normal (ULN) was observed. No clinically significant findings in physical examination, vital signs, pulmonary function, or ophthalmoscopy tests were observed.

The tables below summarize drug-related TEAEs in the single dose and multiple dose portion of the study.

Summary of drug-related TEAE by MedDRA Preferred Term—single dose portion

	Etrasimod 1 mg (N=9) n (%)	Etrasimod 2 mg (N=9) n (%)	Placebo (N=6) n (%)
Cardiac disorders	**1 (11.1)**	**3 (33.3)**	**0**
Atrioventricular block first degree	1 (11.1)	1 (11.1)	0
Sinus bradycardia	0	3 (33.3)	0
Vascular disorders	**0**	**1 (11.1)**	**0**
Hypotension	0	1 (11.1)	0

Summary of drug-related TEAE by MedDRA Preferred Term—multiple dose portion

	Etrasimod 1 mg q.d. (N=9) n (%)	Etrasimod 2 mg q.d. (N=9) n (%)	Etrasimod 2 mg/3 mg q.d. (N=9) n (%)	Placebo (N=9) n (%)
Blood and lymphatic system disorders	**0**	**2 (22.2)**	**1 (11.1)**	**0**
Leukopenia	0	2 (22.2)	1 (11.1)	0
Cardiac disorders	**3 (33.3)**	**3 (33.3)**	**6 (66.7)**	**1 (11.1)**
Atrioventricular block first degree	1 (11.1)	1 (11.1)	1 (11.1)	0
Atrioventricular block second degree	0	0	1 (11.1)	0
Sinus bradycardia	2 (22.2)	2 (22.2)	6 (66.7)	1 (11.1)
Ventricular extrasystoles	0	0	1 (11.1)	0
Nervous system disorders	**1 (11.1)**	**0**	**0**	**0**
Headache	1 (11.1)	0	0	0

The key pharmacokinetic and pharmacodynamic characteristics are consistent with the previous findings observed in Arena-sponsored studies. The median T_{max} (3.5-4.5 hours) and mean $t_{½}$ (33.2-37.9 hours) appeared to be comparable across 3 treatment groups, independent of dose. A dose-dependent mean reduction on lymphocyte count was observed. At steady state of etrasimod 1 mg, 2 mg, and 3 mg, the mean percentage changes from baseline in lymphocyte count were -41.22%, -60.70%, and -70.33%, respectively.

On-Going Reginal Phase 3 Trial in UC

In May and June 2019, we received regulatory approvals to initiate a Phase 3 registrational trial in UC patients (ES101002) in Mainland China, Taiwan and South Korea based on the adequate efficacy that has been demonstrated in Arena's Phase 2 trial. We dosed the first patient in November 2019. This registrational trial is an Asia regional 52-week Phase 3, randomized, placebo-controlled, double-blind, multicenter study to evaluate the efficacy and safety of etrasimod for induction and maintenance

treatment in subjects with moderately to severely active UC. The study consists of induction, maintenance and safety follow-up periods. Eligible subjects will be randomly assigned, in a 2:1 ratio, to receive 2 mg etrasimod or placebo. After a 12 week induction treatment period, all subjects will have an efficacy assessment. Subjects who complete the induction period and are evaluated as responders at week 12 will enter the maintenance period and be re-randomized in a 1:1 ratio to receive 2 mg etrasimod or placebo for an additional 40 weeks. Subjects who do not achieve a clinical response at week 12 and subjects who experience UC worsening will have an opportunity to enter an optional open-label extension period. We plan to enroll approximately 330 patients. For the induction period, the primary endpoint is the proportion of subjects with clinical remission (modified Mayo Clinic Score) at week 12. Secondary endpoints include the proportion of subjects with endoscopic improvement, clinical response, symptomatic response/remission over time. For the maintenance period, the primary endpoint is the proportion of subjects with clinical remission (modified Mayo Clinic Score) at the end of the study. Secondary endpoints include the proportion of subjects with endoscopic improvement, clinical response, and mucosal healing.

Our Clinical Development Plan

We plan to continue enrolment in the on-going regional Phase 3 trial (ES101002) of in patients with UC and aim to complete enrolment in 2021. This trial is conducted in mainland China, Taiwan and South Korea. This trial plans to enroll 333 subjects with moderately to severely active UC. The first subject was randomized on 23 October 2019. Up to now, no subject discontinued due to TEAEs, and no SAE was reported.

In addition, depending on Arena's data readout in a broad array of exploratory Phase 2 trials in Crohn's disease, atopic dermatitis, EOE and AA, we also plan to evaluate the option of developing etrasimod in these indications through joint global Phase 3 studies.

Material Communications

We had a formal consultation with the NMPA regarding the Phase 3 development plan to support UC indication registration in China in August 2018 and received a written response that the NMPA has no objection for our proposed phase 3 study design. We received ES101001 PK study IND approval from the NMPA in November 2018. We received ES101002 Phase 3 trial IND approval from the NMPA in May 2019. We are not aware of any legal claims or proceedings that may have an adverse effect on our development for etrasimod. As of the Latest Practicable Date, we have received no objections to our clinical development plans with respect to the regulatory review or approval process of etrasimod.

Licenses, Rights and Obligations

We in-licensed etrasimod from Arena in December 2017 for development in Greater China and South Korea as described under "—Overview of Our License Agreements—Etrasimod" below.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ETRASIMOD SUCCESSFULLY.

Sacituzumab govitecan (Trodelvy)

Sacituzumab govitecan: Breast Cancer, Urothelial Cancer and Other Solid Tumors

Disease Overview	• The incidence of cancers with TROP-2 overexpression was over 3.5 million, or more than 78.9% of all cancer incidence, in China in 2019

Sacituzumab govitecan: Breast Cancer, Urothelial Cancer and Other Solid Tumors

	● The total number of new patients in China with TNBC, HR+/HER2- breast cancer and urothelial cancer is expected to reach 386,500 in 2030
Product Profile	● Sacituzumab govitecan is an anti-TROP-2-SN-38 ADC recently approved by the U.S. FDA for adult patients with mTNBC who received at least two prior therapies for metastatic disease
	● Phase 3 confirmatory ASCENT study of sacituzumab govitecan in mTNBC patients who received at least two prior therapies for metastatic disease demonstrated statistically significant improvements in the primary endpoint of PFS compared to chemotherapy, with a hazard ratio of 0.41, and key secondary endpoints including OS and ORR
	● Immunomedics is conducting a Phase 3 registrational study for sacituzumab govitecan in heavily pre-treated HR+/HER2– mBC patients
	● Sacituzumab govitecan has shown clinical activity in cisplatin-ineligible patients with metastatic urothelial cancer (mUC) and in patients with previously-treated metastatic endometrial cancer (mEC)
	● Immunomedics is working with partners and investigators on a broad range of signal finding studies, including sacituzumab govitecan + Tecentriq in 1L TNBC patients, mUC patients, and mNSCLC patients; sacituzumab govitecan + Keytruda in patients with mTNBC and patients with HR+/HER2– mBC
	● We believe sacituzumab govitecan has first-in-class potential in treating other types of breast cancer and urothelial cancer, if it ultimately obtains regulatory approval
	● Sacituzumab govitecan may also be developed in a range of additional tumor types that express TROP-2
Development Status and Catalysts	Second half 2020 – Anticipated initiation of registrational bridging trial in mTNBC patients who received at least two prior therapies for metastatic disease
	First half 2021 – Complete enrollment in registrational bridging trial in mTNBC patients who received at least two prior therapies for metastatic disease
	2021 – IND approval and initiation of registrational trial in HR+/HER2- mBC patients who received at least two prior therapies for metastatic disease
	2021 – IND approval and initiation of multi-regional clinical trial in metastatic urothelial cancer as a second-/third-line treatment
	2021 – IND approval and initiation of a basket study covering several tumor types of high incidence in Asia

Sacituzumab govitecan: Breast Cancer, Urothelial Cancer and Other Solid Tumors

Second half 2021 / first half 2022 – BLA filing for later-line mTNBC indication in China

Sacituzumab govitecan (Trodelvy) is an anti-TROP-2-SN-38 ADC that was discovered by Immunomedics. In April 2020, the U.S. FDA granted accelerated approval to sacituzumab govitecan for adult patients with mTNBC who received at least two prior therapies for metastatic disease. Clinical development of sacituzumab govitecan has focused on a number of select types of solid tumors including metastatic triple negative breast cancer, or mTNBC, hormone receptor-positive, human epidermal growth factor receptor 2-negative metastatic breast cancer, or HR+/HER2- mBC, metastatic urothelial cancer, non–small cell lung cancer (NSCLC) and certain other cancers.

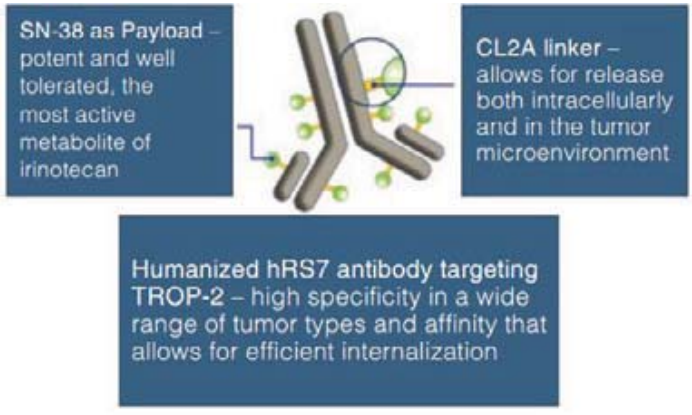
In the United States, sacituzumab govitecan has been studied in over 1,000 cancer patients in more than 10 types of solid cancers. The U.S. FDA granted sacituzumab govitecan orphan drug, fast track, and breakthrough therapy designation. Sacituzumab govitecan is currently being clinically evaluated in patients with a variety of solid tumors, including a registrational Phase 3 TROPICS-02 trial for patients with HR+/HER2- mBC, after failure of two prior therapies, and a registrational Phase 2 TROPHY U-01 study for patients with metastatic urothelial cancer.

In April 2019, we entered into a license agreement with Immunomedics under which Immunomedics granted us an exclusive license to develop and commercialize sacituzumab govitecan to treat mTNBC and other oncological indications in Mainland China, Taiwan, Hong Kong, Macau, Indonesia, the Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore and Mongolia.

Mechanism of Action

Sacituzumab govitecan is an ADC that comprises 7-ethyl-10-hydroxycamptothecin (SN-38), a topoisomerase I inhibitor and active metabolite of irinotecan, coupled by Immunomedics' proprietary cleavable linker CL2A to the humanized monoclonal antibody hRS7 IgG1 which targets human TROP-2. TROP-2 is a surface antigen that is highly expressed in multiple types of solid tumors. Sacituzumab govitecan enables delivery of high concentrations of SN-38 to tumor cells where SN-38 inhibits DNA and RNA synthesis of tumor cells.

The graph below illustrates the three components of sacituzumab govitecan.



Source: Frost & Sullivan Report

Current Treatment and Their Limitations

TNBC and HR+/HER2- BC

TNBC is widely recognized as an aggressive breast cancer subtype with high rates of recurrence and metastatic spread. Although targeted therapies have benefited patients with other subtypes of breast cancer, sequential single-agent chemotherapy remains the standard of care for patients with TNBC. Specifically, therapy with a taxane is generally prescribed as first- and second-line treatment. However, given the recurrent nature of the disease, patients often require additional treatments, but no other later line therapies exist in the current standard of care. Furthermore, patients with at least two prior treatments exhibit low response rates with short response duration and significant side effects in response to existing therapies. Given this significant unmet need, we believe that sacituzumab govitecan, which was recently approved by the U.S. FDA for 3L+ mTNBC, can bring considerable clinical benefits to mTNBC patients in China. In addition, sacituzumab govitecan, in combination with PD-1 or PD-L1, is being studied in several ongoing clinical trials as a first-line treatment for patients with mTNBC. Notably, sacituzumab govitecan is recommended by National Comprehensive Cancer Network (NCCN) in systemic treatment of recurrent or stage IV breast cancer, especially for triple negative breast cancer in the United States.

Patients with HR+/HER2- BC are initially prescribed hormone receptor blockers and cyclin-dependent kinase (CDK) 4/6 inhibitors. However, treatments after endocrine are mostly limited to chemotherapies to which patient response rates are low.

Metastatic Urothelial Cancer

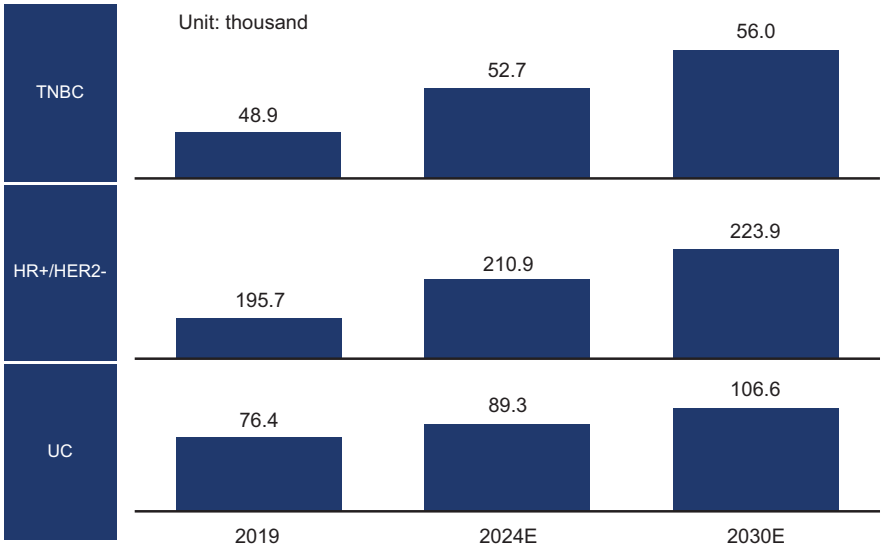
The current standard of care in China for metastatic urothelial cancer includes chemotherapy, systemic immunotherapy and radiotherapy, palliative cystectomy and supportive treatment. However, current post-chemotherapy and immune checkpoint inhibitor treatment have low response rates, short response duration and high toxicity. The lack of effective treatment for patients with refractory disease creates a strong demand for innovative drugs, such as sacituzumab govitecan in metastatic urothelial cancer.

Market Opportunity in China

We believe that sacituzumab govitecan represents a significant market opportunity in China, given its potentially favorable clinical benefit rate (CBR) compared to chemotherapy across different types of solid tumors, potential to improve on existing standards of care, and prospects to be utilized in combination treatment options. We believe that this drug candidate has the potential to target many epithelial tumors and other leading cancer types in China, given its ability to target TROP-2, a cell surface glycoprotein expressed in many epithelial tumors, and deliver SN-38, the active metabolite of irinotecan.

According to the Frost & Sullivan Report, the incidence of cancers with TROP-2 overexpression was 3.5 million in China in 2019, accounting for more than 78.9% of all cancer incidence in China. According to the journal Genes & Cancer, TROP-2 has been reported to be overexpressed in certain solid tumor cancers, including lung, stomach, colorectal, breast, esophagus, thyroid, cervix and other cancers. According to the Frost & Sullivan Report, among all cancer types with TROP-2 overexpression, lung cancer is the most common cancer type overall in China, with an incidence of 895,300 in 2019 and breast cancer is the most common cancer type in females, with an incidence of 326,200. These data further support the large market of other cancer indications that sacituzumab govitecan can potentially target.

Clinical development of sacituzumab govitecan has focused on a number of select types of solid cancers including mTNBC, HR+/HER2- mBC, metastatic urothelial cancer, NSCLC, and certain other cancers. We intend to pursue priority indications primarily in breast cancer and urothelial cancer, including mTNBC, HR+/HER2- mBC and metastatic urothelial cancer. According to the Frost & Sullivan Report, the total number of new patients in China with TNBC, HR+/HER2- BC or UC is expected to be approximately 386,500 in 2030.



Source: NCCR, Frost & Sullivan Report

TNBC and HR+/HER2- BC

According to the Frost & Sullivan Report, the incidence of breast cancer in China increased from 304.0 thousand in 2015 to 326.2 thousand in 2019, and it is expected to grow to 351.5 thousand in 2024, represents a CAGR of 1.8% from 2015 to 2019, and 1.5% from 2019 to 2024, respectively. We intend to seek approval for sacituzumab govitecan for treatment of over 75% of all breast cancer in China, including both TNBC, which accounts for approximately 15% of all incidences breast cancer, and HR+/HER2- BC, which accounts for approximately 60% of all incidences of breast cancer. According to Frost & Sullivan Report, by 2030, the total number of new TNBC and HR+/HER2- BC patients is expected to be around 279,900.

Recently, several PD-1/PD-L1 therapies have been approved in China, while a combination therapy of atezolizumab and chemotherapy (Abraxane) was approved by the U.S. FDA in March 2019 as a first-line treatment for TNBC patients whose tumors have PD-L1 expression (41% of TNBC patients). We believe that these therapies provide a solid foundation for developing additional effective uses of sacituzumab govitecan through combination trials with PD-1/PD-L1 in the first-line setting and are exploring combination therapies of sacituzumab govitecan and atezolizumab/pembrolizumab.

HR+/HER2- BC is the most common form of breast cancer in China, representing over 60% of all breast cancer cases. This subtype of breast cancer grows in connection with estrogen or progesterone and is likely to respond to hormone therapies initially, but almost all HR+/HER2- mBC would become refractory to hormone therapies. We believe that the need for new therapeutic options for treating refractory HR+/HER2- mBC presents a favorable market for sacituzumab govitecan.

Metastatic Urothelial Cancer

Urothelial cancer is a collection of tumors of the urinary tract and includes bladder, ureter/urethra, and renal pelvis cancer. According to the Frost & Sullivan Report, in 2019, the incidence of urothelial cancer reached 76.4 thousand, with a CAGR of 3.3% from 2015. This number is expected to reach 89.3 thousand in 2024, with a CAGR of 3.2% from 2019 to 2024, and reach 106.6 thousand in 2030, with a CAGR of 3.0% from 2024 to 2030.

Besides sacituzumab govitecan, there are two competitor drug candidates targeting the TROP-2 based ADC in clinical development in China. The following table sets forth the competitive landscape for sacituzumab govitecan.

Comparison Between Sacituzumab Govitecan and its Competitors in China

Drug name	Commercial Rights	Development Status in China	Indications	First Posted Date
Sacituzumab govitecan (Trodelvy)	**Everest**	**Registrational Phase 2b**	**TNBC**	**21 May 2020**
BAT8003	Bio-Thera	Phase 1	Epithelial carcinoma	1 April 2019
SKB264	Kelun	Phase 1/2	Solid Tumor	9 June 2020

Source: Frost & Sullivan Report

Competitive Advantages

Sacituzumab govitecan is a TROP-2-directed antibody-drug conjugate that has been approved by the U.S. FDA for the treatment of adult patients with metastatic triple-negative breast cancer (mTNBC) who have received at least two prior therapies for metastatic disease. We believe that the following key attributes of sacituzumab govitecan, observed in clinical trials and pre-clinical studies, differentiate sacituzumab govitecan from drugs targeting breast cancer, urothelial cancer and other solid tumors.

- *Sacituzumab govitecan is designed to deliver a specific payload of a chemotherapeutic directly to the tumor while reducing overall toxic effects that are usually found with conventional administration of standard of care chemotherapy agents.* Sacituzumab govitecan is a first-in-class medicine targeting TROP-2, a cell surface glycoprotein expressed in many epithelial tumors, to deliver SN-38, the active metabolite of irinotecan. A novel and proprietary ADC linking system keeps SN-38 conjugated to the antibody and in an inactive form, thereby reducing toxicity to normal tissues. The clinical safety and efficacy results obtained with sacituzumab govitecan suggest that this half-life is long enough for the ADCs to reach their targets on the surface of tumor cells, without causing significant harm to the rest of the body. More importantly, the pH-sensitive nature of the linker allows the continuous release of SN-38 from the tumor-bound ADCs, regardless of whether the ADC is internalized or remains on the surface of the tumor cell leading to a locally enhanced concentration of SN-38 within or near the tumor. We believe this selective delivery enhances SN-38's bioavailability at the tumor, which may improve efficacy while also reducing toxicity.

- *Sacituzumab govitecan has shown a superior efficacy, demonstrating the potential to change the treatment landscape of breast and urothelial cancers.* As shown in the table below, sacituzumab govitecan has shown a statistically strong and impressive objective response rate (ORR) and progression-free survival (PFS) compared with the existing standard of care for breast and urothelial cancers, which generally has lower response rates and shorter PFS.

	ORR (%)		PFS (months)	
Cancer Type	**Other Agents**	**TRODELVY**	**Other Agents**	**TRODELVY**
mTNBC	11-15 (Single chemo)	33	~2-3 (erib, gem, cap, or vin)	5.5
mUC	9-14 (Single chemo)	31* 29**	~2.8-3 (single chemo)	7.3 TBD**
HR+/HER2- mBC	11-13 (Single chemo)	31	~2.5-3.1 (cap, gem or erib)	6.8

** From sacituzumab govitecan (full mUC Cohort); ** From TROPHY-U-01 interim*

Source: Immunomedics

In addition, in the ASCENT Study, a Phase 3, randomized, confirmatory trial in advanced mTNBC patients, sacituzumab govitecan demonstrated statistically significant improvement in the primary endpoint of PFS compared to chemotherapy, with a hazard ratio of 0.41 (95% confidence interval (CI), 0.32-0.52). The median PFS for patients treated with sacituzumab govitecan was 5.6 months (95% CI, 4.3-6.3), compared to 1.7 months (95% CI, 1.5-2.6) for chemotherapy ($p<0.0001$). Sacituzumab govitecan also met key secondary endpoints of the study, including overall survival and objective response rate.

- *Sacituzumab govitecan has shown a manageable and predictable safety profile that allows for repeated dosing and combination use.* As shown in the table below, sacituzumab govitecan demonstrated a manageable and predictable safety profile that allows for repeated dosing. The most common adverse reactions were neutropenia and diarrhea, and both are common AEs that are manageable with routine supportive care. In Immunomedics' 108 patient mTNBC registrational trial, no patients discontinued treatment due to diarrhea and neutropenia.

Grade 3 and 4 Adverse Events Occurring in >5% of Patients

	mTNBC (N =108)[1]		mUC (N=35)[2]		HR+/ HER2-mBC (N=50)[3]
Adverse Event	**Grade 3 (%)**	**Grade 4 (%)**	**Grade 3 (%)**	**Grade 4 (%)**	**Grade 3 or 4 (%)**
Blood and lymphatic system					
Neutropenia	26	16	29	26	42
Anemia	11	0	17	0	6
General and administration – site					
Fatigue and asthenia	8	0	6	0	2
Gastrointestinal					
Diarrhea	8	0	6	3	4
Nausea	6	0	0	0	2
Vomiting	6	0	0	0	4

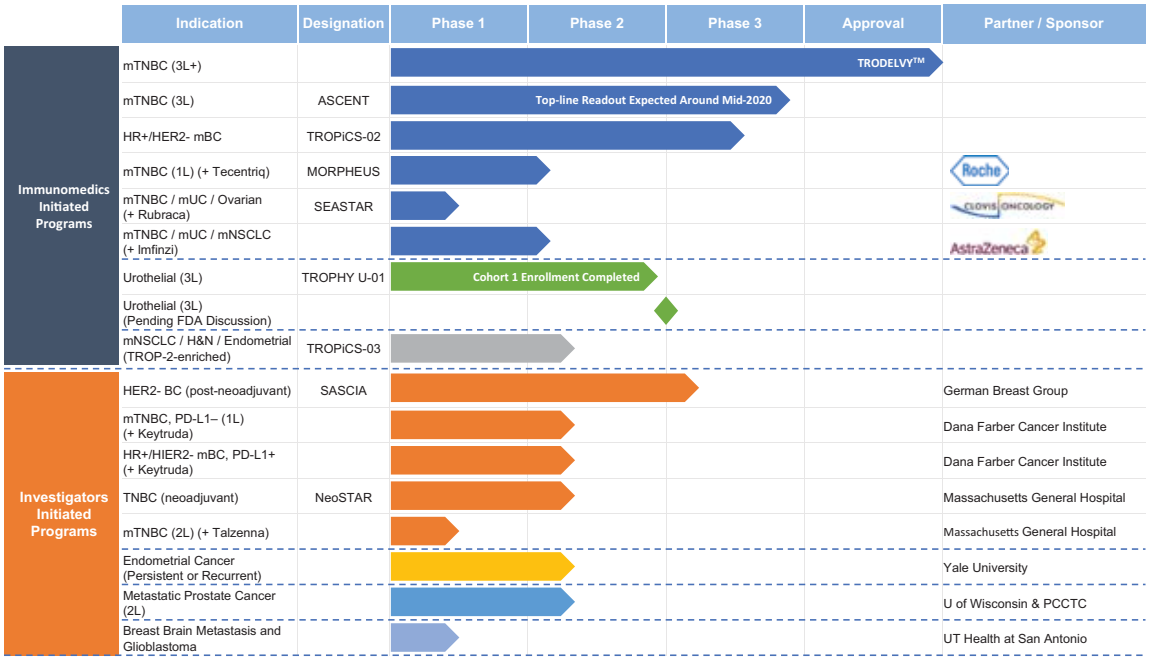
No > grade 2 neuropathy or rash and no treatment-related deaths, low discontinuation rates due to AEs
[1] Bardia A, et al. N Engl J Med. 2019; 380:741-51; [2] Tagawa, S, et al. ESMO 2019; [3] Bardia, A, et al. ASCO 2018
Source: Immunomedics

- *Sacituzumab govitecan has first-mover advantages*. The other competitor TROP-2 based ADCs, such as DS-1062 developed by Daiichi Sankyo, are at an earlier stage of development, and we

have not seen any clinical activities in China. In addition, although atezolizumab plus Nab-paclitaxel (as an immunotherapy) received accelerated approval in 2019 for the treatment of previously untreated metastatic or unresectable TNBC in the United States, we do not believe immunotherapy will substantially impact the use of sacituzumab govitecan in late stage metastatic breast cancer and immunotherapy-ADC combination therapy is a logical scientific direction that could be pursued in the future.

Development of Sacituzumab Govitecan by Immunomedics

Set forth below is a summary of the multiple sacituzumab govitecan programs conducted by Immunomedics to address unmet needs in TROP-2-expressing cancers.



Source: Immunomedics

In April 2020, the U.S. FDA granted accelerated approval to sacituzumab govitecan for adult patients with mTNBC who received at least two prior therapies for metastatic disease based on the IMMU-132-01 basket study. In July 2020, Immunomedics announced positive results from the ASCENT Study, a Phase 3, randomized, confirmatory trial where sacituzumab govitecan significantly improved PFS, OS and ORR, compared to chemotherapy, in mTNBC patients who have received at least two prior therapies for metastatic disease. Immunomedics plans to submit a sBLA to the U.S. FDA for full approval later in 2020. Sacituzumab govitecan is currently in clinical trials for the treatment of numerous indications, including HR+/HER2- mBC and metastatic urothelial cancer. Additionally, a TROPICS-03 basket trial in other advanced solid tumor types with high TROP-2 expression has commenced with multiple indications including NSCLC, head & neck cancer and endometrial cancer.

We, as the exclusive licensee of sacituzumab govitecan in Greater China, obtained IND approval from the NMPA in 2020 for sacituzumab govitecan for a clinical trial in mTNBC patients who received at least two prior therapies for metastatic disease. In second half of 2020 or first half of 2021, we anticipate the initiation of the registration trial in HR+/HER2- mBC patients who have failed hormone

therapies and at least two subsequent lines of chemotherapy a registrational trial in metastatic urothelial cancer as a second-/third-line treatment, and an Asia basket study that includes patients with high TROP-2 expression, but include cancer at a variety of sites.

IMMU-132-01 Phase 2 Basket Study in mTNBC, HR+/HER2- mBC, Metastatic Urothelial Cancer and Metastatic Non–Small Cell Lung Cancer

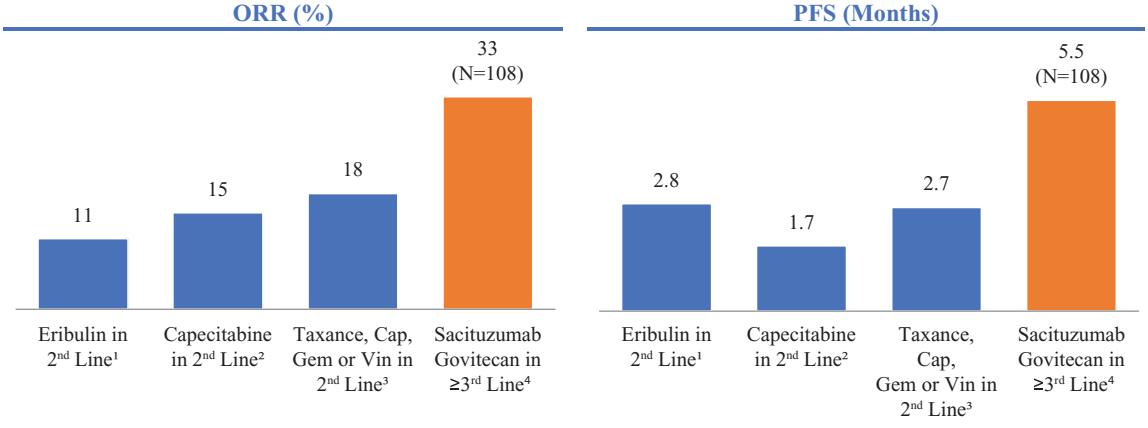
Study design

The Phase 2 basket trial of sacituzumab govitecan is a multicenter, single-arm phase 2 basket trial which has now studied over 500 patients in more than 10 types of solid cancers (including mTNBC, HR+/HER2- mBC, Metastatic Urothelial Cancer, Metastatic Non–Small Cell Lung Cancer and Metastatic Endometrial Cancer) with the dose of 10 mg/kg given on days 1 and 8 of repeated 21-day cycles being the established dose regimen. Tumor imaging was obtained every 8 weeks, and patients were treated until disease progression or intolerance to therapy. The primary efficacy outcome measures were investigator assessed ORR using RECIST 1.1 and response duration.

Efficacy

For mTNBC, among the 108 patients with mTNBC who received at least two prior treatments for metastatic disease, the ORR was 33.3% (95% CI: 24.6, 43.1) and the median response duration was 7.7 months (95% CI: 4.9, 10.8). The estimated median PFS was 5.5 months.

Sacituzumab Govitecan Achieved Impressive ORR and PFS Compared to SoC in Late-Line mTNBC*



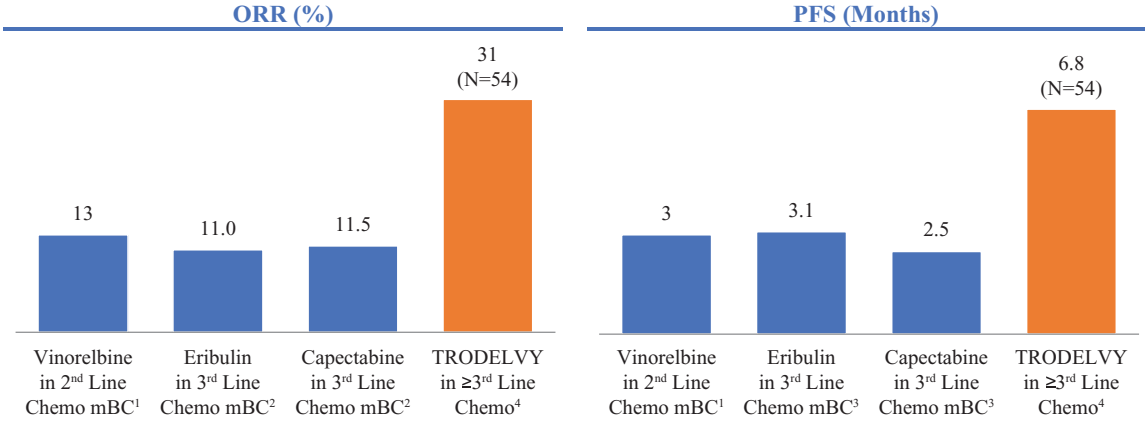
* *Information is based on comparative results from independent studies*

Source of data: 1) Pivot X, Ann Oncol 2016; 2) Perez EA, Breast Can Res Treat 2010; 3) Brufsky A, Breast Can Res Treat 2012; 4) Bardia A, NEJM 2019

For HR+/HER2- mBC, data from 54 patients with HR+/HER2- mBC who had received at least two prior treatment for metastatic disease, with a median of three hormonal agents and two chemotherapy regimens, were presented at the 2018 ASCO Annual Meeting and announced by Immunomedics in June 2018. Prior treatments included taxanes (93%), anthracyclines (69%), and CDK 4/6 inhibitors (69%). The data showed a confirmed ORR of 31% (17/54), based on local investigator assessment in accordance with RECIST 1.1. The estimated median duration of response was 7.4 months (95% CI: 4.4, 18.3). In the subgroup of 37 patients who also had received prior CDK 4/6 inhibitors, ORR was 24% (9/37). Clinical Benefit Rate (CBR), which is defined as the percentage of patients with complete

response and partial response and stable disease lasting at least six months, was 48% (26/54). In the difficult-to-treat subgroup of patients with liver metastases, CBR was 48% (21/44). The estimated median progression-free survival (PFS) was 6.8 months (95% CI: 4.6, 8.9). At the time of data cut off on 30 April 2018, seven responders were still receiving sacituzumab govitecan.

Sacituzumab Govitecan Achieved Impressive ORR and PFS Compared to SoC in Late-Line HR+/HER2- mBC*

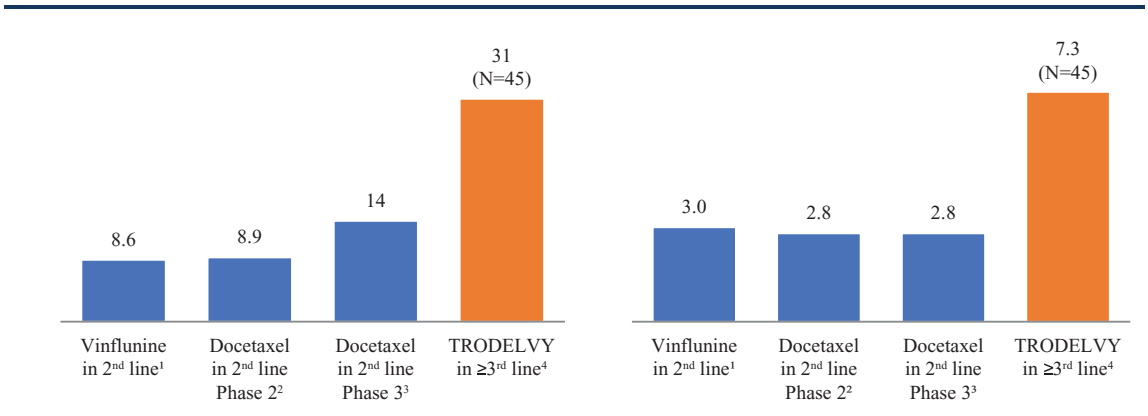


* *Information is based on comparative results from independent studies*

Source of data: 1) Jones S, JCO 1995; 2) Kaufman PA, JCO 2015; 3) Kazmi S, ESMO 2019 Abstract 366P; 4) Kalinsky K, SABCS 2018

For mUC, data from 45 relapsed/refractory patients, the ORR was 31% overall, with 2/45 complete responses and 12 partial responses. In patients who had been previously treated with an immune checkpoint inhibitor, the ORR was 23% (4/17). The median DOR was 12.6 months and 2 patients remain on therapy for over 2 years. The median overall survival (OS) was 18.9 months.

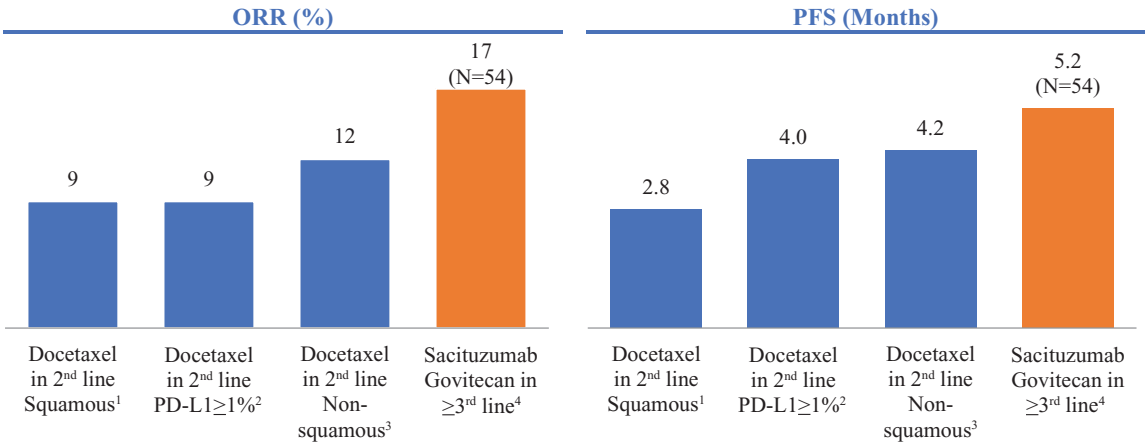
Sacituzumab Govitecan Achieved Strong ORR and PFS Compared to SoC in mUC*



* *Information is based on comparative results from independent studies*

Source of data: 1) Bellmunt J. JCO 2009; 2) Perteylak D, JCO 2016; 3) Petrylak D, Lancet 2017; 4) Tagawa S, ASCO-GU 2019

For mNSCLC, sacituzumab govitecan has produced an objective response rate (ORR) of 19% in 47 patients in the response-assessable study population which had a median of three prior therapies with a median duration of response of 6.0 months. The ORR in the intention-to-treat population was 17% (nine of 54) and median PFS was 5.2 months.



* *Information is based on comparative results from independent studies*

Source of data: 1) Brahmer J, NEJM 2015; 2) Herbst RS, Lancet 2016; 3) Borghaei H, NEJM 2015; 4) Heist RS, JCO 2017

Safety

In general, sacituzumab govitecan has shown a manageable and predictable safety profile that allows for repeated dosing and combination use.

For mTNBC, sacituzumab govitecan showed a manageable and predictable safety profile that allows for repeated dosing. The most common adverse reactions (≥25% of patients) were nausea, neutropenia, diarrhea, fatigue, anemia, vomiting, alopecia, constipation, rash, decreased appetite, and abdominal pain. Neutropenia as a common AE was manageable with routine supportive care, and none of the 108 mTNBC patients discontinued treatment due to neutropenia. The most common grade 3/4 AEs (>5%) are neutropenia, WBC decreased, anemia, hypophosphatemia, diarrhea, fatigue, nausea and vomiting. Grade 3/4 diarrhea was infrequent (9%) and manageable, and none of the 108 mTNBC patients discontinued treatment due to diarrhea. There was no severe neuropathy. 2% patients discontinued due to AEs, such as anaphylaxis, anorexia/fatigue and headache.

For HR+/HER2- mBC, patients generally tolerated the treatment with sacituzumab govitecan well, with no treatment-related deaths and only two patients (3.7%) discontinued due to adverse events. The median number of doses was 11 (range: 1-74), and the median duration of treatment was 4.0 months (range: 0.2-26.0 months). The only Grade 3/4 toxicity with greater than 10% frequency was neutropenia (42%), which is consistent with the safety profile observed in mTNBC.

For mUC, the median DOR was 12.6 months and 2 patients remain on therapy for over 2 years. The median OS was 18.9 months. In terms of safety, the most common grade 3/4 AEs were neutropenia (38%), anemia (11%), hypophosphatemia (11%), diarrhea (9%), fatigue (9%), and febrile neutropenia (7%). 5/45 patients discontinued treatment due to adverse events and no treatment-related deaths have been reported.

Other Clinical Trials in mTNBC

Confirmatory ASCENT Phase 3 Study

On 6 July 2020, Immunomedics announced positive data from the ASCENT Study, a Phase 3, randomized, confirmatory trial in mTNBC patients who have received at least two prior therapies for metastatic disease, Sacituzumab govitecan demonstrated statistically significant improvement in the primary endpoint of PFS compared to chemotherapy, with a hazard ratio of 0.41 (95% confidence

interval (CI), 0.32-0.52). The median PFS for patients treated with sacituzumab govitecan was 5.6 months (95% CI, 4.3-6.3), compared to 1.7 months (95% CI, 1.5-2.6) for chemotherapy ($p<0.0001$). Sacituzumab govitecan also met key secondary endpoints of the study, including overall survival and objective response rate. In April 2020, Immunomedics had announced that the ASCENT study had been halted due to compelling evidence of efficacy across multiple endpoints, based on the unanimous recommendation by the independent Data Safety Monitoring Committee during its recent routine review of the ASCENT study.

The ASCENT study was initiated in October 2017, and is an international, multi-center, open-label, randomized, Phase 3 study of sacituzumab govitecan in patients with refractory mTNBC or relapsing after at least two prior chemotherapies (including a taxane) for their metastatic disease. The primary objective of this study is to compare the efficacy of sacituzumab govitecan to the treatment of physician's choice (TPC) as measured by progression-free survival (PFS). The secondary objectives of the study are to compare the two treatment groups for: OS, independently-determined ORR, DOR and time to onset of response per RECIST 1.1 criteria, quality of life, and safety. A total of 529 patients and approximately 150 institutions participated in the ASCENT trial, including sites in North America and Europe. The participating clinical sites used standard American Society of Clinical Oncology (ASCO)/College of American Pathologists criteria for the pathological diagnosis of TNBC, defined as negative for estrogen receptor (ER), progesterone receptor and human epidermal growth factor receptor 2 (HER2). In addition, BRCA 1&2 mutational status was collected, if known. A single whole-blood sample was collected from all patients for determination of UDP-glucuronyl transferase A1 (UGT1A1) genotype for retrospective assessment predicting of toxicity.

Other Clinical Trials in HR+/HER2- mBC

TROPiCS-02 Trial

Study Design

Immunomedics is currently recruiting patients for the TROPiCS-02 trial, an open-label, randomized, multi-center Phase 3 study to compare the efficacy and safety of sacituzumab govitecan versus the TPC in subjects with metastatic or locally recurrent inoperable HR+/HER2- mBC, after failure of at least two, and no more than four, prior chemotherapy regimens for metastatic disease. Approximately 400 eligible subjects will be randomized to one of two treatment arms. Under the investigational arm, sacituzumab govitecan will be administrated at 10 mg/kg via IV injection on Day 1 and Day 8 of a 21-day cycle while, under the control arm, patients will be subject to recommended doses and schedules as per national comprehensive cancer network guidelines (with dose modifications if needed for toxicity).

In May 2020, Immunomedics announced that it has entered into a clinical collaboration with Dana-Farber Cancer Institute to conduct a Phase 2 study to evaluate the safety and efficacy of combining sacituzumab govitecan with Keytruda in patients with HR+/HER2– mBC. Approximately 110 hormonal treatment- and chemotherapy-refractory patients with PD-L1-positive HR+/HER2– mBC will be randomized to receive the combination of sacituzumab govitecan and pembrolizumab or sacituzumab govitecan alone. Primary endpoint is PFS. Other clinical outcome measures, including OS, objective response rate by RECIST 1.1, DOR, and CBR, will be used as secondary endpoints.

Other Clinical Trials in mUC

TROPHY-U-01 Trial

Study Design

Immunomedics is currently conducting a TROPHY-U-01 trial, an international, multi-center, open-label, Phase 2 study in patients with metastatic urothelial cancer after failure of a platinum-based regimen or anti-PD-1/PD-L1 based immunotherapy. At least 200 patients will be enrolled in three cohorts across approximately 40 sites from North America and Europe. Cohort 1 enrolls patients who were previously exposed to platinum-based and CPI-based therapies, and full cohort 1 enrollment (100 patients) was complete in October 2019. Cohort 2 plans to enroll 40 patients who were platinum ineligible and had progressed after the first line CPI therapy. Cohort 3 plans to enroll approximately 60 patients who were CPI-naïve and had progresses after the first line platinum-based therapy. All subjects will first receive sacituzumab govitecan on Days 1 and 8 of a 21-day cycle followed by pembrolizumab at the standard approved dose (200 mg) only on Day 1 of a 21-day cycle. After discontinuation of treatment, patients will have a 30-day safety follow-up after last dose and will then be followed every 12 weeks for survival for a minimum of two years.

Interim Efficacy Data

In May 2020, Immunomedics announced that sacituzumab govitecan confirmed clinical activity in cisplatin-ineligible patients with metastatic urothelial cancer. In TROPHY U-01 cohort 2, at a median follow-up of 6.8 months, sacituzumab govitecan produced an objective response rate (ORR) of 29% (95% confidence interval [CI], 12–54) in 21 patients with mUC who were platinum ineligible and had progressed after prior checkpoint inhibitor (CPI) therapy, which is consistent with the 29 percent observed in the interim results from TROPHY U-01 cohort 1 of 35 mUC patients who were previously exposed to platinum-based and CPI therapies. While median DOR was not reached at the time of data cutoff, median PFS was 5.5 months (95% CI, 1.7–7.3) and median OS was 11.1 months (95% CI, 4.9–not available). Top-line data from the full cohort 1 of 100 patients are expected to be available in the second half of 2020.

Fast Track Designation by U.S. FDA

In April 2020, Immunomedics announced that the U.S. FDA granted fast track designation for sacituzumab govitecan for the treatment of adult patients with locally advanced or metastatic urothelial cancer who have previously received a PD-1 or PD-L1 inhibitor, and a platinum containing chemotherapy in the neoadjuvant/adjuvant, locally advanced or metastatic setting, including patients who are platinum ineligible and have previously received a PD-1 or PD-L1 inhibitor in the neoadjuvant/adjuvant, locally advanced, or metastatic setting. Immunomedics expects to submit qualified UC patient data from IMMU-132-01 trial and cohorts 1 and 2 of the TROPHY U-01 trial for conditional approval by the U.S. FDA. Immunomedics also plans to initiate a Phase 3 study in a similar UC patient population which will serve as the basis for full approval.

TROPiCS-03 Trial in Solid Tumors

Study Design

Immunomedics is conducting a TROPiCS-03 Trial, a Phase 2 basket trial for biomarker-enriched cancer patients with solid tumors, including mNSCLC, head and neck squamous cell carcinoma and metastatic endometrial cancer, or mEC, among other TROP-2 expressing solid tumors.

Exploratory Studies of Sacituzumab Govitecan

Sacituzumab govitecan is also being evaluated in a series of exploratory studies in earlier-line mTNBC, mUC, mNSCLC, and HR+/HER2- mBC patients in collaboration with leading research institutions and global pharmaceutical companies, including Dana-Farber Cancer Institute, F. Hoffman-La Roche and German Breast Group. These exploratory studies have the potential to provide important efficacy and safety data to guide the future development of sacituzumab govitecan, either as a single agent, or in combination with other approved therapies.

Our Clinical Development Activities and Clinical Development Plan in Our Territory

China phase 2b trial in 3L mTNBC (001 Trial)

Since sacituzumab govitecan has been approved by the U.S. FDA for the treatment of patients with mTNBC who have received at least two prior therapies for metastatic disease, we plan to conduct a single-arm bridging study in Chinese patients to garner accelerated approval in China. We received IND approval from the NMPA for conducting a single arm registrational bridging trial of sacituzumab govitecan for the treatment of mTNBC patients who have received at least two prior therapies for metastatic disease (001 Trial) in April 2020. We plan to initiate the 001 Trial in the third quarter of 2020, and expect to complete enrollment in the first half of 2021 and complete the 001 Trial by the end of 2021. We plan to enroll approximately 80 patients in China for this setting. The primary endpoint will be ORR. The secondary endpoints will be DOR, CBR, PFS, OS, safety and tolerability, PK and immunogenicity. We plan to communicate with the NMPA and seek full approval in China as soon as possible using the data from the 001 Trial and the results of the ASCENT trial conducted by Immunomedics.

Regional phase 3 trial in 3L HR+/HER2- mBC (002 Trial)

We also plan to conduct a registrational Asia regional clinical trial of sacituzumab govitecan for HR+/HER2- mBC patients who have received at least two prior therapies for metastatic disease (002 Trial). The target patient population is HR+/HER2- mBC patients who have failed hormone therapies and at least two subsequent lines of chemotherapy. Patients will be enrolled regardless of prior CDK 4/6 inhibitors use, although we expect that more than 50% of the patients will have used and failed prior CDK 4/6 inhibitors. We expect to recruit 330 patients in Mainland China, Taiwan and South Korea, and patients will be randomized 1:1 to sacituzumab govitecan or physician's choice of chemotherapies. The primary endpoint is PFS, and the secondary endpoints will be OS, ORR, CBR, DOR, QOL, safety and tolerability and PK, subject to NMPA consultation. We plan to submit an IND application in China in the second half of 2020, and initiate the 002 Trial in the first half of 2021. We expect to seek full approval in China as soon as possible using the data from the 002 Trial and the results of the TROPICS-02 trial conducted by Immunomedics.

Additional clinical trials

We are also evaluating the development and registration strategy of sacituzumab govitecan as a third-line treatment for patients with metastatic urothelial cancer after a platinum and a PD-1/PD-L1 therapy in China. We may initiate a bridging trial for metastatic urothelial cancer and enroll approximately 80 to 100 patients in China. Our alternative strategy is to join Immunomedics' future global multi-regional confirmatory trials for the same indication and contribute approximately 15% of the patients. In addition, based on emerging clinical data from the global sacituzumab govitecan clinical program, we are also evaluating the opportunities to investigate sacituzumab govitecan in the front line (e.g. first-line or second-line) settings in mTNBC, HR+/HER2- mBC and mUC, either in collaboration with Immunomedics or on our own.

We plan to initiate a basket study covering several tumor types of high interest in Asia in 2021. Based on the results of this study, we may choose to add expansion arms in certain tumor types, so that the results of these studies may be utilized in registration submissions for additional indications. We also plan to measure biomarkers, including TROP-2 expression levels, and study the correlation between such biomarkers and efficacy, to help inform future patient selection and development strategies. We believe that our use of both signal detection studies and biomarkers will help guide development of sacituzumab govitecan in additional indications.

Material Communications

We received 001 Trial IND approval from the NMPA in April 2020. We had a formal consultation with the CDE regarding the clinical development plan to support this indication registration in China in December 2019. During that meeting, the CDE agreed that a single arm bridging trial can be initiated in China. BLA approval will be based on Chinese patient data through this single-arm bridging trial together with the global ASCENT trial data as supportive data. We are not aware of any legal claims or proceedings that may have an adverse effect on our development for sacituzumab govitican. As of the Latest Practicable Date, we have not received objections to our clinical development plans with respect to the regulatory review or approval process of sacituzumab govitecan.

Licenses, Rights and Obligations

We in-licensed sacituzumab govitecan from Immunomedics in April 2019 for development in Greater China, South Korea, certain Southeast Asian countries and Mongolia as described under "—Overview of Our License Agreements—Sacituzumab Govitecan (Trodelvy)" below.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SACITUZUMAB GOVITECAN SUCCESSFULLY.

Nefecon

Nefecon: IgA Nephropathy (IgAN)

Disease Overview	• IgAN is the most frequent biopsy-proven primary glomerular disease and about 50% of patients progress to end stage renal disease (ESRD) within 30 years despite treatment • The estimated prevalence of IgAN in China was 2.18 million in 2019 • There are currently no approved treatments for IgAN in China and globally
Product Profile	• Nefecon, a highly potent local immunosuppressant in Phase 3 development, is a proprietary, oral formulation of budesonide in development for the treatment of IgAN • Nefecon is designed for the local delivery of the drug to Peyer's patches in the ileum, to reduce the formation of secretory aberrant IgA antibodies (galactose-deficient IgA antibodies) and their appearance in the blood stream • Nefecon has the potential to become the first disease-specific treatment for IgAN • Nefecon demonstrated statistically significant reduction in proteinuria levels and stabilization of eGFR, comparing to placebo, in a randomized, double-blind Phase 2b clinical trial
Development Status and Catalysts	2019—IND approval from the NMPA in IgAN obtained Second half 2020—Joined Calliditas's global Phase 3 NefIgArd registrational trial in IgAN First half 2021—Complete China enrolment of Phase 3 NefIgArd registrational trial

Nefecon is a novel oral formulation of budesonide, an established, potent local immunosuppressant, for the treatment of the autoimmune renal disease IgA nephropathy, or IgAN, for which there is a high unmet medical need and there are no approved treatments globally. IgAN, sometimes referred to as Berger's disease, is a serious progressive autoimmune disease of the kidney in which up to 50% of patients are at risk of developing ESRD within 30 years despite treatment. The standard of care for ESRD is dialysis or kidney transplant, which represents a significant health economic burden as well as a material impact on patients' quality of life. Nefecon has the potential to become the first disease-specific treatment for IgAN. Nefecon is designed to release a high dose of a locally acting immunosuppressive agent in the ileum, the distal region of the small intestine, which is the presumed origin of IgAN due to the ileum being the location of the highest concentration of the Peyer's patches (which are responsible for the production of secretory immunoglobulin A, or IgA, antibodies). By targeting the ileum, Nefecon reduces the formation of secretory galactose-deficient IgA antibodies and their appearance in the blood. Nefecon has been granted orphan drug designation for the treatment of IgAN by the U.S. FDA and the EMA.

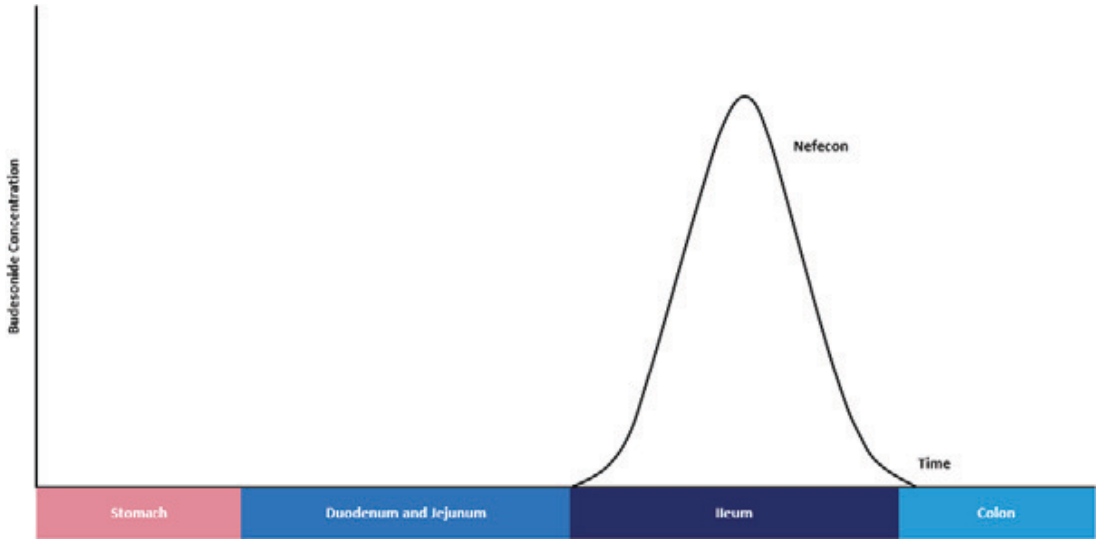
Nefecon is being developed by Calliditas, and is the only compound in development for IgAN that has met the key primary and secondary endpoints in a randomized, double-blind, placebo-controlled Phase 2b clinical trial. In this trial of 150 patients, treatment with Nefecon was associated with a statistically significant and clinically meaningful reduction of protein in the urine, or proteinuria, and stabilization of kidney function. Calliditas is currently running a registrational, global Phase 3 clinical trial with Nefecon for the treatment of IgAN with a substantially similar design to its Phase 2b clinical trial, which demonstrated clinical proof-of-concept. The first 200 randomized patients in the ongoing registrational NefIgArd study will form the basis for the topline data readout expected to occur during the fourth quarter of 2020, following which Calliditas will submit the applications for accelerated and conditional regulatory approvals to the U.S. FDA and the EMA, respectively. The U.S. FDA has made a key decision and accepted reduction in proteinuria as a surrogate endpoint for accelerated approval for the registrational Phase 3 IgAN program.

In June 2019, we entered into an exclusive, royalty-bearing license agreement with Calliditas which gives us exclusive rights to develop and commercialize Nefecon in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

Mechanism of Action

Nefecon is a novel oral formulation of budesonide, designed to deliver a targeted and highly concentrated dose directly to the Peyer's patches that are predominantly found in the ileum. The high first pass metabolism of the active ingredient limits the adverse events typically associated with systemic corticosteroids, due to limited spillover to the circulation. According to Calliditas, Nefecon has been formulated as a capsule with an enteric coating that is designed to prevent disintegration until the capsule enters the distal part of the small intestine. The capsules are designed to travel intact through the stomach and intestine until they reach the ileum. Upon reaching the ileum, chemical and physical changes, such as acidity, trigger the disintegration of the Nefecon capsules and the release of the capsule's contents.

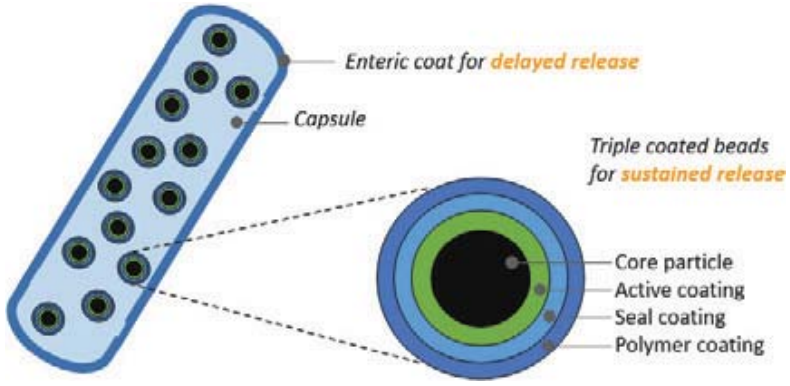
Nefecon is designed to release a locally acting immunosuppressant in the ileum to provide peak drug concentrations to immune cells in the Peyer's patches



Source: Calliditas

As illustrated below, Nefecon capsules contain triple coated sustained-release beads that are designed to provide a potent exposure of the active ingredient when it is released in the ileum, which is expected to locally suppress IgA antibody formation in the Peyer's patches and impair the appearance of the immune complexes in the blood. Nefecon is designed to block the initial step in the development of IgAN by preventing the formation of immune complexes that would otherwise become trapped in the glomerular membranes of the kidney, thereby having a disease-modifying effect and preserving kidney function.

Nefecon has two components: an enteric-coated capsule to deliver a local immunosuppressant to the ileum and sustained release beads that provide highly targeted local exposure of the active ingredient



Source: Calliditas

Budesonide is an established, highly potent locally acting corticosteroid that can be used for local treatment with limited systemic side effects. This active ingredient was selected because of its local potency and high metabolization by the liver, with 90% being cleared in first pass metabolism, resulting in the inactivation of a majority of the active ingredient before the substance reaches the systemic circulation. This high metabolism limits systemic immunosuppressive activity and avoids the significant side effects associated with systemic corticosteroids that are currently used off-label to treat IgAN, of which only 20% to 30% are cleared in first pass metabolism.

Current Treatment and Their Limitations

There are currently no approved drugs indicated for the treatment of IgAN globally. In the United States, suggested treatment regimens include controlling blood pressure, removing extra fluid, controlling the immune system, and lowering blood cholesterol. KDIGO recommends the use of blood pressure-lowering agents that inhibit or block the renin-angiotensin system (RAS), using either angiotensin converting enzyme (ACE) inhibitors or angiotensin receptor blockers (ARBs). Consistent with KDIGO guideline, the clinical practice in China is mainly to give renin-angiotension system (RAS) inhibitors to newly diagnosed patients, to control blood pressure, as well as to reduce proteinuria to <0.5g/day. If the goal cannot be met after optimizing dosage of RAS inhibitors, clinicians usually add steroids and immunosuppressants in an attempt to reduce proteinuria. RAS inhibition reduces pressure in the kidney glomeruli, thereby lowering leakage and protein excretion in urine. Treatment via RAS inhibition is primarily symptomatic relief and does not address the underlying cause of IgAN. Over time, physicians attempt to control disease progression with a variety

of off-label treatments, as a significant proportion of patients experience continued deterioration of kidney function, with no approved treatment options currently available.

For IgAN patients whose disease has progressed, clinicians may treat patients with systemic immunosuppressive agents, primarily consisting of high doses of systemic corticosteroids, such as prednisone, prednisolone and methylprednisolone. While some published reports indicate that these agents may reduce proteinuria, high dosing of systemic corticosteroids is also associated with a wide range of adverse events, including high blood pressure, weight gain, diabetes, serious infections and osteoporosis.

The seriousness of these adverse events in patients with IgAN has been documented in two independent clinical trials investigating the safety and efficacy of systemic corticosteroids in IgAN. In the Therapeutic Evaluation of Steroids in IgA Nephropathy Global, or TESTING, clinical trial conducted by The George Institute for Global Health based in Sydney, Australia, 262 patients who had progressive IgAN despite treatment with RAS blockade agents were randomized to receive the systemic corticosteroid methylprednisolone or placebo. A significantly higher rate of serious infections and two infection-related deaths were observed in patients receiving methylprednisolone, leading to the suspension of the trial. While patients receiving methylprednisolone appeared to have improved outcomes compared to those receiving placebo, the early termination of the trial prevented a full efficacy analysis. In the open-label Supportive Versus Immunosuppressive Therapy for the Treatment of Progressive IgA Nephropathy, or STOP IgAN, a trial conducted by Rheinisch Westfälische Technische Hochschule of Aachen University, there was also an increase in the rate of serious infections in the 82 patients who received the systemic corticosteroid prednisolone, and there was one infection-related death in the treatment cohort. In this trial, high-dose systemic corticosteroids were not observed to have a lasting effect on proteinuria and there was no significant difference in the decline in eGFR. The STOP IgAN trial concluded that the addition of immunosuppression, including systemic corticosteroids, to comprehensive supportive care was not beneficial in IgAN.

The efficacy of other immunosupprents (such as mycophenolate mofetil, or CellCept) in IgAN is contradictory among different studies and remains inconclusive in the treatment of IgAN. Therefore, CellCept is not recommended in the KDIGO guideline.

Market Opportunity in China

China is the world's largest market in terms of IgAN patients. IgAN is the most frequent biopsy-proven primary glomerular disease (PGD), accounting for over 50% of PGD in China. The prevalence of IgAN in China increased from 2.00 million in 2015 to 2.18 million in 2019, representing a CAGR of 2.2% and is projected to further increase to 2.28 million by 2024 and 2.37 million by 2030. In contrast, IgAN is designated as an orphan indication in both the United States, where it affects approximately 130,000 to 150,000 people and Europe, where is affects about 200,000 people.

Today, there are no approved treatments for IgAN. The recommended standard of care treatment regimen primarily entails established, generic drugs, including blood pressure lowering agents or off-label drugs such as renin-angiotensin system inhibitors. Non-responders or more severe patients are often treated with systemic steroids and immunosuppressants, which have undesirable side effects and unsuitable for long-term use. In the past, regulators required potential IgAN drugs to show an impact on long-term kidney function as measured by eGFR over time. Although 50% of the IgAN patients will progress to ESRD within 30 years despite treatment, this had meant that any Phase 3 study for IgAN drug candidates would need to run for five to over ten years to accumulate enough data for approval, thus leading to a lack of viability and interest in IgAN research and development. With the

acceptance of reduction in proteinuria as a surrogate endpoint for accelerated approval by the U.S. FDA, the timeline for registrational Phase 3 IgAN programs has been dramatically shortened.

Besides Nefecon, there are two competitor drug candidates in clinical development in China. The following table sets forth the competitive landscape for Nefecon in China.

Comparison Between Nefecon and its Competitors in China

Drug name	Commercial Rights	Development Status in China	Indications	Administration	MOA	First Posted Date
Nefecon	**Everest**	**Phase 3**	**IgAN**	Oral	Targeted release of glucocorticoid	**3 March 2020**
LNP023	Novartis	Phase 2	IgAN	Oral	Complement factor B (FB) inhibitor	31 July 2019
RC18 (Telitacicept)	RemeGen (Rongchang)	Phase 2	IgAN	Subcutaneous	B lymphocyte stimulator (BLyS) and a proliferation-inducing ligand (APRIL)	11 November 2019

Source: Frost & Sullivan Report

Competitive Advantages

If approved, Nefecon has the potential to become the first disease-specific treatment for IgAN. We believe that the following key attributes of Nefecon, observed in clinical trials and pre-clinical studies, support Nefecon being the first drug candidate as a disease-modifying treatment option for IgAN.

- *Nefecon has the potential to become the first disease-specific treatment for IgAN*. Nefecon targets the ileum, the distal region of the small intestine, which is the presumed origin of IgAN due to the ileum being the location of the highest concentration of the Peyer's patches, which are responsible for the production of secretory immunoglobulin A, or IgA, antibodies.
- *Nefecon is also the only compound in development for IgAN that has met the key primary and secondary endpoints in a randomized, double-blind, placebo-controlled Phase 2b clinical trial*. In this trial of 150 patients, treatment with Nefecon was associated with a statistically significant and clinically meaningful reduction of protein in the urine, or proteinuria, and stabilization of kidney function.

Clinical Development of Nefecon by Calliditas

Completed Phase 2 Clinical Trials in IgAN

In 2015, Calliditas completed a double-blind, placebo-controlled clinical trial, known as NEFIGAN, in 150 adult patients and confirmatory proof of concept was observed in this Phase 2b trial (consistent with the observations of a Phase 2a trial completed in 2010).

Study Design

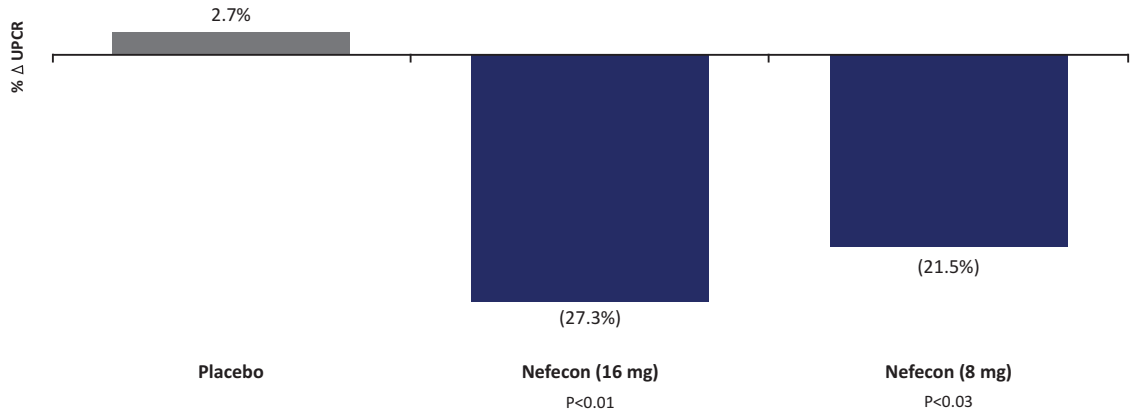
NEFIGAN was a randomized, double-blind, placebo-controlled Phase 2b trial, including a 6-month run-in, 9-month treatment, and a 3-month follow-up periods at 62 nephrology clinics across ten countries in Europe, and was the largest controlled, double-blind trial ever conducted with an investigational candidate in IgAN patients.

The recruited patients were at least 18 years old with biopsy-confirmed primary IgAN, persistent proteinuria as measured by urine protein creatine ratio (UPCR) of more than 0.5g per 24 hours or urinary total protein of at least 0.75g per 24 hours, despite being on optimized RAS blockade therapies. The eligible patients were randomized to receive 8mg per day Nefecon, 16mg per day Nefecon, or placebo. All patients continued optimized RAS blockade treatment throughout the trial. The primary endpoint was mean change from baseline in UPCR for the 9-month treatment period.

Efficacy

The primary endpoint was achieved. At 9 months, mean UPCR had decreased by 27.3% in 48 patients who received 16 mg per day Nefecon (p=0.0092), and 21.5% in the 51 patients who received 8 mg per day Nefecon (p=0.0290). 50 patients who received placebo had an increase in mean UPCR of 2.7%. The effect was sustained throughout followup period. The difference in UPCR at 9 months was significant for 16 mg per day Nefecon versus placebo, but not for 8 mg per day Nefecon versus placebo, which did not meet the adjusted p value of 0.0158.

In the interim analysis of the primary endpoint for NEFIGAN, 16 mg of Nefecon was associated with statistically significant and clinically meaningful reductions in UPCR compared to placebo in NEFIGAN at nine months



Source: Calliditas

Upon completion of the 3-month follow-up, after cessation of trial medication, the geometric least-squares mean reduction was sustained in the 8 mg per day group (-22.6% change from baseline) and decreased further in the 16 mg per day group (-32.0% change from baseline) versus an increase of 0.5% for the placebo group. Compared with placebo, the changes in UPCR at 12 months in both active treatment groups were statistically significant (16 mg per day vs placebo, p=0.0005; 8 mg per day vs placebo p=0.0101).

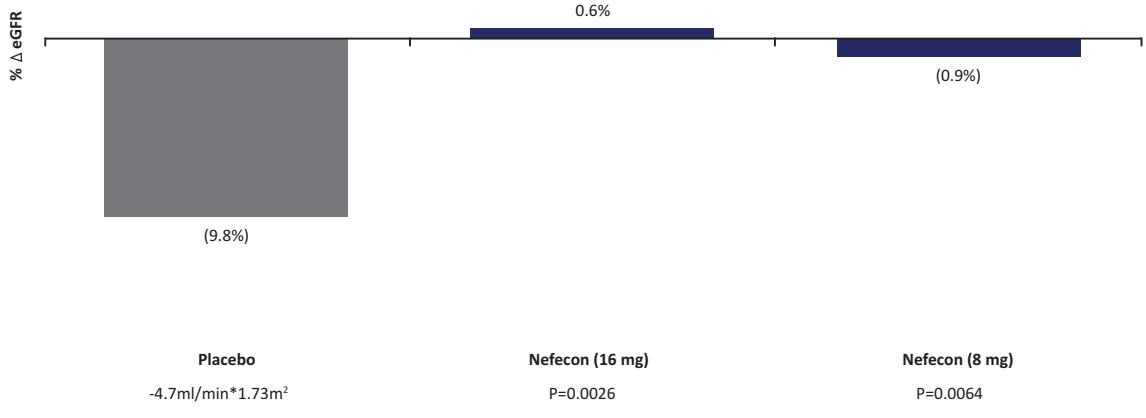
As illustrated in the table below, changes from baseline at 9 months in 24 hour urine protein excretion, or UACR, and 24 hour urine albumin excretion were consistent with the UPCR data.

	9 Months		
	Placebo	Nefecon (16 mg)	Nefecon (8 mg)
UPCR (interim)	3%	(27%)	(22%)
Total 24-hour urine protein	1%	(30%)	(20%)
UACR	6%	(28%)	(14%)
Total 24-hour urine albumin	2%	(33%)	(18%)
P-Creatinine	7%	(2%)	(1%)
Microhematuria proportion	86%	63%	82%

Source: Calliditas

eGFR remained stable in the Nefecon groups but decreased in the placebo group during the treatment period in the final analysis, as shown by percentage changes at 9 months and by absolute mean changes in eGFR from baseline across the 12 months of treatment and follow-up periods. Mean percentage change from baseline in eGFR at 9 months was -9.8% for placebo, 0.6% for 16 mg per day Nefecon, and -0.9% for 8 mg per day Nefecon. Comparisons with placebo demonstrated statistical significance at 9 months (16 mg per day vs placebo, p=0·0026; 8 mg per day vs placebo, p=0·0064). eGFR levels in the 16 mg per day group were sustained throughout the trial (mean percentage change from baseline at 12 months, 0.7% vs -10.9% for placebo; p=0.0134).

Nefecon was associated with a stabilization of eGFR in NEFIGAN



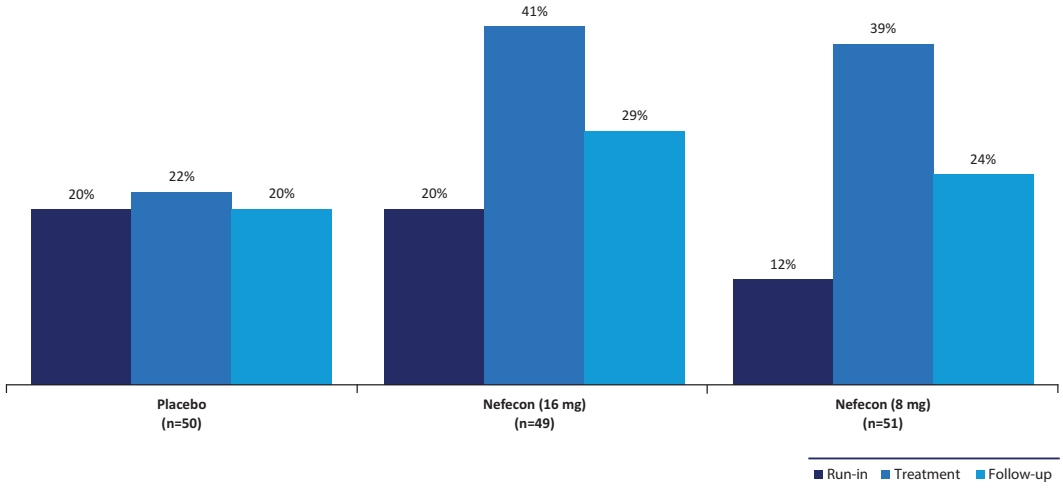
Source: Calliditas

Safety

Nefecon was observed to be generally well tolerated. Calliditas observed no clinically meaningful changes in blood pressure, body weight or hemoglobin A1C, a measure of blood sugar metabolism, from baseline, and there were no severe infections reported in the trial.

To collect safety data, Calliditas used solicited adverse event reporting in addition to the typical spontaneous adverse event reporting, which is known to result in some degree of overreporting of adverse events as compared to spontaneous adverse event reporting. In the trial, all patients completed a questionnaire with several questions related to potential steroid-related side effects and gastrointestinal side effects at every visit, including during the run-in and follow-up periods when no active drug was administered. As illustrated in the graphic below, approximately 20% of patients in both the placebo and treatment cohorts reported corticosteroid-related side effects in the run-in period when no active drug was administered. This response data was consistent in the run-in, treatment and follow-up periods for the placebo cohort. An incremental 20% of patients reported side effects in the 8 mg and 16 mg treatment cohorts during the treatment period.

Summary of Solicited Corticosteroid-related Adverse Events Observed in NEFIGAN



Source: Calliditas

AEs observed in NEFIGAN were consistent with those known to be associated with non-systemic corticosteroids such as budesonide. The most commonly reported AEs in the treatment cohorts included nasopharyngitis, acne, joint swelling, cushingoid, insomnia, muscle spasms, dyspepsia, headache, peripheral edema, mood swings and hypertension. Of these events, 75.8% were categorized as mild, 22.6% as moderate and 1.6% as severe.

In the treatment cohorts, eight patients experienced serious TEAEs: seven patients in the 16 mg group reported eight SAEs (aggravated condition, nephrotic syndrome, aortic dissection, deep vein thrombosis, menorrhagia, proteinuria, appendicitis and spinal pain) and one patient in the 8 mg group reported a SAE (aggravated condition). In the placebo cohorts, three patients reported four SAEs (two events of proteinuria, sciatica and aggravated condition).

All serious adverse events in the treatment cohorts were determined by the investigator to be unrelated to Nefecon, except for one patient in the 16 mg treatment cohort who developed a deep venous thrombosis, which was classified by the investigator as possibly being treatment-related, and one patient in the 8 mg treatment cohort with aggravation of renal condition, which was classified by the investigator as possibly being treatment-related. Two additional SAEs are classified as possibly being treatment-related were seen in the placebo cohort.

Patient discontinuations were higher among patients in the Nefecon 16 mg cohort as compared to the 8 mg cohort. Most of the patients who discontinued treatment experienced mild to moderate symptoms including, most frequently, acne and other transitory cosmetic side effects.

Ongoing Phase 3 Clinical Trial in IgAN

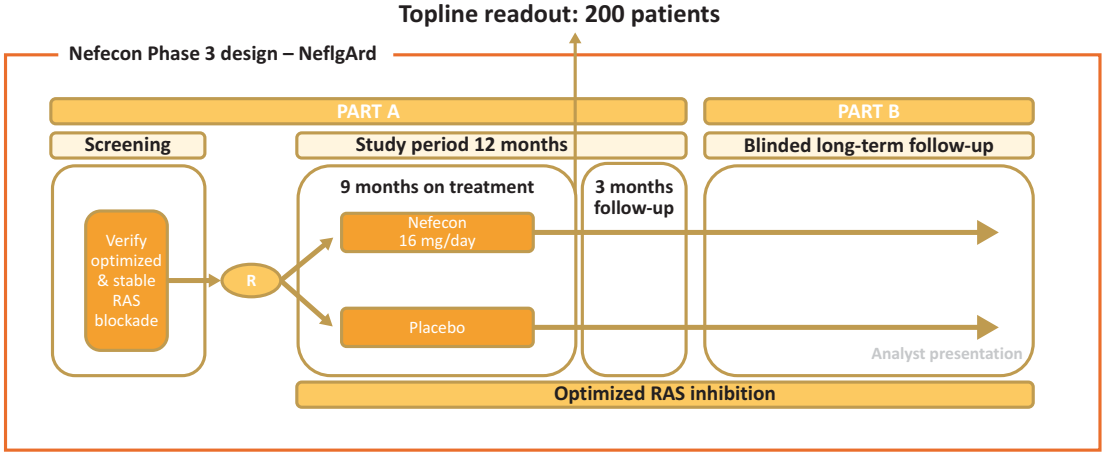
Calliditas is currently conducting a global registrational Phase 3 clinical trial in IgAN, which is referred to as NefIgArd.

Study Design

NefIgArd is designed to evaluate reduction of the surrogate marker proteinuria as its primary endpoint, which is the same endpoint used in NEFIGAN. NefIgArd is a randomized, double-blind, placebo-controlled, two-part Phase 3 clinical trial. The first part, which is referred to as Part A, is a registrational efficacy and safety trial that is expected to form the basis for submissions of an NDA to the U.S. FDA and an MAA to the EMA. The primary endpoint of Part A is the decrease in proteinuria in the first 200 randomized and dosed patients. In addition, a secondary endpoint of Part A is the difference in kidney function between treated and placebo patients as measured by eGFR over a 9-month period. Calliditas expects to report topline results from Part A in the fourth quarter of 2020. If these data are positive, and Calliditas demonstrates clinically relevant reductions in proteinuria, Calliditas intends to file marketing applications in the first half of 2021 for accelerated approval in the United States by the U.S. FDA and conditional approval in the EU by the EMA.

The second part, which is referred to as Part B, is a post-approval confirmatory trial designed to validate proteinuria as a surrogate marker. Following completion of enrollment in Part A in December 2019, Calliditas is now continuing to recruit an additional 160 patients during 2020 in order to power Part B to assess the difference in kidney function between treated and placebo patients as measured by eGFR over a two-year period from the start of dosing of each patient. Recruitment of patients for Part B is expected to be completed before the end of 2020. If Calliditas successfully completes recruitment by the end of 2020, Calliditas expects to report data from Part B in 2022.

NefIgArd will enroll a total of 360 patients and generate nine months of dosing data as well as an aggregate of 15 months of follow-up data from Parts A and B on all randomized patients.



Additional Trials

Calliditas is planning to initiate an open-label extension trial for eligible patients who have completed treatment in Part A and Part B of NefIgArd. The open-label extension trial is expected to commence when the first patient has completed both Part A and Part B of NefIgArd, which is expected to occur in the fourth quarter of 2020.

Subject to discussions with the relevant regulatory authorities, Calliditas intends to initiate an open-label extended dosing trial in 2021 to provide safety and efficacy data for treatment with Nefecon, in addition to the nine-month treatment course documented in the NefIgArd trial. All patients enrolled in the open-label trial will be on active treatment, starting with 16 mg once daily for nine months of treatment, followed by a maintenance dose. Calliditas expects that the inclusion criteria would be similar to those used in the NefIgArd trial and the duration of the maintenance dose will be determined after regulatory feedback.

Our Clinical Development Plan

We received IND approval in December 2019 to conduct a registrational trial of Nefecon in IgAN patients in China as part of the Nefecon global trial NefIgArd. We plan to enroll 60 patients in China and initiate this registrational trial in the second half of 2020. The primary endpoint evaluates the reduction in proteinuria compared to placebo after nine months treatment for the 60 subjects enrolled in China. The secondary endpoints will be eGFR, urine albumin to creatinine ratio, and time to 30% reduction in eGFR. We plan to complete enrolment in the first half of 2021 and submit the NDA in 2022 with the NMPA for accelerated approval in IgAN based on proteinuria data from the 60 patients in China, as well as the first 200 patients from the global Nefigard study. The first patient was randomized in China in September 2020. In addition, subject to discussion with Calliditas, we intend to join the above mentioned open-label extension trial when the first patient in China has completed both Part A and Part B of the NefIgArd trial. We also intend to explore a maintenance study for Nefecon in IgAN patients in China.

In addition, a Chinese healthy volunteer PK study will be conducted in mainland China. This is a Phase 1, single-center, open-label study to assess PK and safety of single dose (16mg) of Nefecon in Chinese healthy volunteers. Approximately 12 healthy volunteers will be treated in this study. This Chinese PK study is planned to be conduct in the fourth quarter of 2020, and we expect to have the topline read-out in the first half of 2021.

Material Communications

We received NefIgArd (Nef-301) global Phase 3 trial IND approval from the NMPA in December 2019. In our submitted development plan, we proposed 60 Chinese subjects number will be enrolled in the global Phase 3 study to support IgAN indication registration in China. The NMPA had no negative feedback for our proposed Chinese patients number enrolled in the global Phase 3 study. We are not aware of any legal claims or proceedings that may have an adverse effect on our development for Nefecon. As of the Latest Practicable Date, we have not received objections to our clinical development plans with respect to the regulatory review or approval process of Nefecon.

Licenses, Rights and Obligations

We in-licensed Nefecon from Calliditas in June 2019 for development in Greater China and Singapore as described under "—Overview of Our License Agreements—Nefecon" below.

Our Additional Assets

Ralinepag

Ralinepag is a next-generation, potent, selective oral IP prostacyclin receptor agonist being developed for the treatment of pulmonary arterial hypertension (PAH). Ralinepag was designed by Arena to deliver intravenous prostacyclin-like potency and pharmacokinetics in an oral tablet. In non-clinical experiments, ralinepag demonstrated potentially best-in-class activation of the IP receptor resulting in vasodilation, inhibition of smooth muscle cell proliferation and inhibition of platelet aggregation. Additionally, early stage studies of ralinepag pharmacokinetics in humans revealed an approximately 24-hour half-life and a low peak-to-trough ratio supporting therapeutic blood levels with once daily dosing. In Phase 2 clinical trials, ralinepag demonstrated clinically meaningful and statistically significant efficacy in improving PAH patients' clinical symptoms compared to the placebo.

In December 2017, we entered into a collaboration and license agreement with Arena, which was amended and restated in January 2019, regarding the development and commercialization of ralinepag. Under this agreement, Arena granted us an exclusive, royalty-bearing license to develop, manufacture and commercialize ralinepag for all uses in humans in Mainland China, Taiwan, Hong Kong, Macau and South Korea.

In November 2018, Arena licensed exclusive worldwide rights to develop, manufacture and commercialize ralinepag outside of our territories to United Therapeutics for up to US$1.2 billion, including an upfront payment of US$800 million and potential milestone payments totaling up to US$400 million based on the achievement of certain regulatory events. Additionally, Arena will receive low double-digit tiered royalties on annual net sales of ralinepag. Upon the completion of this license agreement in January 2019, Arena's rights and obligations under our ralinepag license and collaboration agreement were assigned to United Therapeutics.

In the fourth quarter of 2018, the NMPA in China granted IND approval for an extended-release oral formulation of ralinepag (ralinepag XR).

Mechanism of Action

Prostacyclin is a naturally occurring vasodilator and platelet inhibitor. Decreased prostacyclin within pulmonary arteries leads to significant vascular changes and could result in right side heart failure and even death. Ralinepag is intended to mimic the action of prostacyclin and functions as a vasodilator. It can also inhibit the over proliferation of muscle cells surrounding blood vessels, as well as the clumping of platelets, two features that also contribute to PAH development.

Market Opportunity in China

PAH is a progressive, life-threatening disorder characterized by increased pressure in the pulmonary arteries that carry blood from the heart to the lungs. PAH occurs when the pulmonary arteries thicken or grow rigid. This makes blood flow more difficult. The heart must work harder to push blood through the arteries, and the arteries are unable to carry adequate blood to the lungs. The increased pressure strains the heart, which can limit physical activity, result in heart failure and reduce life expectancy. PAH will continue to worsen over time, even with proper treatment. Based on data from the Registry to Evaluate Early And Long-term PAH disease management, or REVEAL, of patients in the United States, there is an estimated five-year survival rate of 61% from diagnosis.

PAH involves several interrelated mechanisms, with prostacyclin and thromboxane A2 playing a major role in maintaining pulmonary vascular tone through their balanced activity. Currently there are eight

approved and marketed targeted therapies (excluding generics) for PAH in China, including prostacyclines, a guanylate cyclase stimulator, endothelium receptor antagonists and PDE5 inhibitors. Though combination therapy is recommended for patients with immediate or high risk, the proportion of Chinese patients who are receiving combination therapy is still low, which we believe can give rise to significant market opportunities.

Five drug candidates are currently undergoing clinical trial in PAH in China. Ralinepag from Everest is in Phase 3 while one other drug candidate, Nhwa's iptakalim, is in Phase 2 and three others are in Phase 1 with efficacy or safety data yet to be disclosed, including Chinese Academy of Sciences' TPN171H, Guangzhou Magpie's MN-08, and Gmax's GMA301.

The PAH market in China increased from RMB48.5 million in 2015 to RMB321.8 million in 2019 at a CAGR of 60.5% from 2015 to 2019. The market is expected to reach RMB2,742.2 million in 2024, representing a CAGR of 53.5% from 2019 to 2024, and is expected to further reach RMB6,956.9 million in 2030, representing a CAGR of 16.8% from 2024 to 2030.

Development of Ralinepag by Arena

In 2011, Arena announced topline results of a Phase 1 clinical trial to evaluate the safety, tolerability and pharmacokinetics of single ascending doses (SADs) of ralinepag. The randomized, double-blind and placebo-controlled trial evaluated 32 healthy volunteers in four cohorts of eight participants each, with six randomized to ralinepag and two to a placebo. Ralinepag was rapidly absorbed and demonstrated dose-proportional PK exposure over the tested dose range. Consistent with the expected pharmacology of ralinepag, the most common adverse events were headache, vomiting, nausea, jaw pain and flushing. Dose limiting adverse events of nausea and vomiting occurred at 0.2 mg dose. No SAEs were reported.

In 2013, Arena announced topline results from a multi-dose, randomized, double-blind and placebo-controlled Phase 1 clinical trial evaluating multiple ascending doses (MADs) of ralinepag in healthy volunteers. In this trial, 40 healthy volunteers received ralinepag and 15 received a placebo. The safety profile of ralinepag in this trial was characteristic of IP receptor agonists: the most frequent TEAEs were headache, nausea and jaw pain. One SAE, transient atrial fibrillation, occurred in a single subject, and the study investigator considered it to be possibly treatment related. Further review revealed that the subject had multiple characteristics predisposing the patient to atrial fibrillation, including cardiac abnormalities prior to study start.

In 2017, Arena announced topline results from a 22-week, randomized, double-blind, placebo-controlled Phase 2 trial evaluating the effectiveness in reducing pulmonary vascular resistance, or PVR, improving exercise capacity, tolerability and safety of ralinepag. In this trial, 40 patients with pulmonary arterial hypertension received ralinepag and 21 received a placebo. Topline results showed statistically significant improvement of both absolute ($p=0.02$) and percentage change ($p=0.03$) from baseline in PVR. Ralinepag also demonstrated numerical improvement in six-minute walking distance, or 6MWD, but as the study was not powered to show a difference in 6MWD from a placebo, this was a not a statistically significant finding. The safety and tolerability profiles were in line with other oral prostacyclins, with headache, nausea, diarrhea, jaw pain and flushing being the most commonly reported AEs. SAEs occurred in four (10%) of the patients taking ralinepag and in six (28.6%) of the patients taking a placebo. There were no deaths among the patients taking ralinepag and there were two deaths in the placebo group.

In 2018, Arena announced results data from a planned interim analysis of the ongoing OLE of the Phase 2 trial of ralinepag in development for the treatment of PAH. This is an OLE study evaluating

the long-term safety, tolerability and efficacy of ralinepag in 45 patients (85% of study completers) who completed the Phase 2 randomized study. In the extension study, patients originally randomized to ralinepag continued on active therapy (N=30); patients randomized to placebo switched to ralinepag (N=15). Key efficacy measurements include PVR and 6-minute walk distance, or 6MWD. Patients who continued on ralinepag in the OLE had a median treatment duration of 1.8 years (range 1.2–3.4 years) at the time of right heart catheterization (RHC). In these patients, sustained improvements from baseline in the original study were observed for PVR (219 dyn*s*cm $^{-5}$ median reduction, p = 0.002) and 6MWD (49.8 meters mean improvement; p = 0.003). Patients switching from placebo to active drug had a median ralinepag treatment duration of 1.4 years (range 0.9–2.3 years) at the time of RHC. In these patients, a similar magnitude of improvement was observed for PVR (214 dyn*s*cm $^{-5}$ median reduction, p = 0.206) and 6MWD (69.8 meters mean improvement; p = 0.010). In both groups, these long-term changes in PVR and 6MWD were observed in a population where the majority of patients were already receiving dual combination PAH background therapy. AEs observed in this extension study were consistent with the known profile of prostacyclin therapies for the management of PAH, with headache and nausea being the most commonly reported. Among patients who continued ralinepag in the OLE, the incidence rate of adverse effects was lower relative to the randomized Phase 2 study, suggesting that adverse effects related to tolerability are reduced after initial drug titration. Overall adverse event profile was consistent with the Phase 2 study and the underlying disease.

In 2018, Arena announced results data from two Phase 1 clinical studies evaluating ralinepag XR in development for the treatment of PAH. These trials were two single-center, open-label, non-randomized PK studies conducted in healthy subjects. In Study 1, cohort 1 (n=12) subjects took single oral doses of ralinepag in the fasted state given in a sequential manner over four treatment periods: 0.03 mg immediate release (IR) capsule, and then 0.06, 0.12, and 0.18 mg doses of an XR tablet. Cohort 2 (n=12) subjects took single oral doses of selexipag immediate release (IR) in the fasted state given sequentially over three treatment periods: 0.2, 0.4 and 0.6 mg IR tablets. Dose-adjusted peak plasma exposure (C_{max}/D) measures were lower for ralinepag XR versus the IR formulation (geometric mean ratios (GMRs) ranged up to 41.2%). Dose-adjusted total plasma exposure measures were similar for both XR and IR formulations (GMRs ranged up to 97.9%). Selexipag and MRE-269 plasma PK profiles were consistent with the need for selexipag twice-daily administration. In Study 2, fasted (cohort 1; n=19) or fed (cohort 2, n=18) subjects received ralinepag XR tablet formulation in a dose-escalation sequence over 25 days (once-daily dosing started at 0.06 mg and was slowly titrated, depending on individual subject tolerability, by additional 0.06 mg dose increments every five days up to 0.3 mg once daily). Dose-dependent ralinepag plasma exposure measures were observed for the XR tablet formulation given once daily, with low peak–trough fluctuation and little effect of food seen across dose levels. Higher mean plasma exposure measures were observed in females versus males. These results indicate that ralinepag XR tablet formulation offers improved PK performance over both ralinepag and selexipag IR formulations, by providing extended drug exposure and maintaining low peak-trough fluctuation with once-daily dosing. Due to these favorable and desirable PK characteristics, ralinepag XR tablet are used in the two global Phase 3 clinical studies, ADVANCE OUTCOMES and ADVANCE CAPACITY.

United Therapeutics is conducting two Phase 3 studies of ralinepag. First, ADVANCE OUTCOMES, a study in 700 PAH patients comparing ralinepag to placebo along with background therapy. The primary endpoint of this trial is the time from randomization to the first adjudicated protocol-defined clinical worsening event. Everest has joined this trial and is enrolling PAH patients in Mainland China, South Korea and Taiwan to support registration. Subjects from this study will be eligible to enroll in an open label extension study (OLE). Second, the ADVANCE CAPACITY study, which seeks to evaluate 193 subjects with PAH, randomized between oral ralinepag and placebo at a 2:1 ratio, along

with PAH background therapy, for 28 weeks with an optional open label extension period. The primary endpoint of the study is the change from baseline to week 28 in peak oxygen consumption (VO2) assessed by cardiopulmonary exercise testing.

Our Clinical Development Plan

We received regulatory approval in October 2018 to conduct a pharmacokinetics study of ralinepag in China and join the global registrational ADVANCE OUTCOMES trial and OLE study of ralinepag in PAH patients. We have initiated this registrational trial in May 2019 in collaboration with United Therapeutics. This registrational trial is a Phase 3, randomized, double-blind, placebo-controlled study to evaluate the efficacy and safety of ralinepag when added to pulmonary arterial hypertension (PAH) standard of care or PAH specific background oral therapy in subjects with WHO Group 1 pulmonary hypertension. We plan to enroll 95 patients in Mainland China, Taiwan and South Korea at a 1:1 randomization ratio. The primary endpoint will be the time (in days) from randomization to the first adjudicated clinical failure event. The secondary endpoints will include change in NT-proBNP, change in 6-minute walking distance, and change in WHO/New York Heart Association Functional Class. We initiated this study in the second half of 2019 and plan to initiate the pharmacokinetics study in the second half of 2020.

Licenses, Rights and Obligations

We in-licensed ralinepag from Arena in December 2017 for development in Greater China and South Korea as described under "—Overview of Our License Agreements—Ralinepag" below.

Taniborbactam

Discovered by Pennsylvania-based Venatorx Pharmaceuticals, Inc., or Venatorx, taniborbactam is a novel injectable beta-lactamase inhibitor (BLI) that features selective and potent *in vitro* and *in vivo* activity against both serine-beta-lactamases (SBLs) and metallo-beta-lactamases (MBLs). In a fixed dose combination with cefepime (a 4th generation cephalosporin), taniborbactam is expected to address unmet medical need for a safe and effective therapy for treatment of diseases due to MDR gram-negative bacteria, particularly extended spectrum beta-lactamase (ESBL) producing organisms, CRE and CRPA.

Early clinical studies of taniborbactam and cefepime-taniborbactam have been completed and Phase 3 registrational trials were initiated in August 2019. If approved, cefepime-taniborbactam could be a potentially best-in-class drug based on its activity against all four types of beta-lactamases (Ambler Classes A, B, C and D) and VIM/NDM Class B MBLs in CRE and MDR *Pseudomonas aeruginosa*. In addition, cefepime-taniborbactam has the potential to differentiate from Avycaz (ceftazidime and avibactam) and ETX-2514/sulbactam, which are not active against MBLs.

In September 2018, we entered into a collaboration, license and supply agreement with Venatorx regarding the development, registration and commercialization of taniborbactam in Mainland China, Macau, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines for all uses in humans, including complicated urinary tract infections (cUTI), infections due to carbapenem-resistant pathogens (CRP), and hospital-acquired and ventilator-associated bacterial pneumonia (HABP/VABP).

Mechanism of Action

Beta-Lactam antibiotics act by binding to penicillin-binding proteins (PBPs), inhibit bacterial cell wall synthesis and are the most widely used class of antibacterial drugs in both the community and hospital

setting based on their efficacy and safety profile. However, the utility of all members of this class of drugs is being limited by very broad spectrum spread of new beta-lactamases, that hydrolyse and deactivate beta-lactams. While each class of beta-lactam drugs (penicillins, cephalosporins, monobactams, and carbapenems) is affected by different enzymes, no members of the class are untouched. Small molecule beta-lactamase inhibitors bind to and inactivate beta-lactamases, and when used in combination with beta-lactam, antibiotics can restore their activity.

Taniborbactam is a competitive inhibitor that forms a reversible covalent bond with the active site serine of Ambler class A, C, and D beta-lactamases. Taniborbactam also competitively inhibits Ambler Class B zinc-dependent MBLs, via interaction with the active-site zinc ions. These extensive interactions with critical active-site residues in both enzyme subtypes allow taniborbactam to possess potent and selective inhibitory activity against both SBLs and MBLs.

We have recently conducted a study to evaluate *in vitro* activity of taniborbactam, in combination with cefepime, against MDR Gram-negative bacterial isolates from China (Journal of Antimicrobial Chemotherapy, March 2020). In this study, taniborbactam improved cefepime activity with the same efficiency as avibactam improved ceftazidime activity against 66 KPC-2 producers, 30 non-carbapenemase-producing, carbapenem-non-susceptible *Enterobacteriaceae* and 28 meropenem-susceptible *Pseudomonas aeruginosa*. Cefepime-taniborbactam exhibited more potent activity than ceftazidime-avibactam against 56 ESBL-producing, 61 AmpC-producing, 32 ESBL and AmpC co-producing, 87 NDM-producing and 21 MBL-producing *Enterobacteriaceae* as predicted by phenotypic carbapenemase tests (mCIM and eCIM). While isolates of NDM-5-producing *Escherichia coli* showed cefepime-taniborbactam MICs >8 mg/L, these high MICs were likely due to pre-existing mutations in the cefepime target, penicillin-binding protein 3, since taniborbactam has been shown to rescue cefepime activity in engineered NDM-5-expressing strains.

***In Vitro* Activity of Cefepime-Taniborbactam and Comparators Against China Clinical Isolates**

Organism	Compound	MIC50 (mg/L)	MIC_{90} (mg/L)	MIC Range (mg/L)	MIC Mode
ESBL producer (56)	Cefepime-Taniborbactam	0.03	0.12	≤ 0.008 - 0.5	0.06
	Cefepime	8	32	0.03 - > 256	16
	Ceftazidime	16	128	0.25 - > 256	16
	Ceftazidime/Avibactam	0.25	0.5	0.03 - > 256	0.25
	Piperacillin/Tazobactam	2	4	0.5 - > 256	2
AmpC producer (61)	Cefepime-Taniborbactam	0.06	0.25	0.016 - 2	0.03
	Cefepime	0.12	2	0.016 - 128	0.03
	Ceftazidime	2	> 256	0.12 - > 256	0.5 - 1
	Ceftazidime/Avibactam	0.5	1	0.016 - > 256	0.25
	Piperacillin/Tazobactam	4	64	0.5 - > 256	2
ESBL and AmpC co-producer (32)	Cefepime-Taniborbactam	0.12	1	0.016 - 4	0.12
	Cefepime	32	256	4 - > 256	8, 16, 64
	Ceftazidime	32	256	4 - > 256	32
	Ceftazidime/Avibactam	0.5	2	0.03 - 4	0.5
	Piperacillin/Tazobactam	4	32	0.5 - 64	4
bla_{KPC}-producer (66)	Cefepime-Taniborbactam	2	8	0.03 - 64	1
	Cefepime	> 256	> 256	4 - > 256	> 256
	Ceftazidime	> 256	> 256	32 - > 256	> 256
	Ceftazidime/Avibactam	4	8	0.5 - > 256	4
	Piperacillin/Tazobactam	> 256	> 256	128 - > 256	> 256
bla_{NDM}-producer (87)	Cefepime-Taniborbactam	16	64	0.12 - 128	32
	Cefepime	> 256	> 256	16 - > 256	> 256
	Meropenem	64	128	2 - > 256	128
	Ceftazidime	> 256	> 256	128 - > 256	> 256
	Ceftazidime/Avibactam	> 256	> 256	4 - > 256	> 256
	Piperacillin/Tazobactam	> 256	> 256	128 - > 256	> 256
Non-bla_{KPC}/bla_{NDM}/bla_{IMP}-producing CRE (54)	Cefepime-Taniborbactam	4	32	0.06 - 256	4
	Cefepime	> 256	> 256	0.12 - > 256	> 256
	Meropenem	64	128	1 - 256	128
	Ceftazidime	> 256	> 256	4 - > 256	> 256
	Ceftazidime/Avibactam	8	> 256	0.25 - > 256	> 256
	Piperacillin/Tazobactam	> 256	> 256	1 - > 256	> 256
CRPA (22)	Cefepime-Taniborbactam	8	32	4 - 64	4
	Cefepime	32	128	4 - > 256	32
	Ceftazidime	64	> 256	4 - > 256	> 256
	Ceftazidime/Avibactam	16	256	4 - > 256	8, 16
	Piperacillin/Tazobactam	128	256	4 - > 256	256

Note: Taniborbactam at a fixed concentration of 4 mg/L; $MIC_{50/90}$, range, and mode in mg/L; bla, betalactamase; ESBL, extended spectrum β-lactamase; AmpC, AmpC beta-Lactamases; KPC, Klebsiella pneumoniae carbapenemase; NDM, New Dehli metallo-beta-lactamase; CRE, carbapenem-resistant Enterobacteriaceae; CRPA, carbapenem-resistant Pseudomonas aeruginosa.
Source: Journal of Antimicrobial Chemotherapy

Market Opportunity in China

The initial development focus for cefepime-taniborbactam is in cUTI and HABP/VABP. In 2019, there were 8.1 million cUTI and 3.0 million HABP/VABP infection cases in China, according to the Frost &

Sullivan Report. *Beta*-Lactam antibiotics are the most widely used class of antibacterial drugs in both the community and hospital setting, especially in HABP/VABP and cUTI, because of their efficacy and safety profile. Carbapenem, as the most potent among beta-lactam antibiotics, is a major drug class in terms of sales revenue in China. The three best selling carbapenems, meropenem, imipenem/ cilastatin and biapenem, together generated RMB7.9 billion sales in 2019.

However, carbapenem resistance is a major and an ongoing public health problem globally. It occurs mainly among Gram-negative pathogens, such as *Escherichia coli, Klebsiella pneumoniae, Pseudomonas aeruginosa* and *Acinetobacter baumannii*. Such resistance may be intrinsic or mediated by transferable carbapenemase-encoding genes and is spreading rapidly, causing serious outbreaks and dramatically limiting treatment options. Pathogens carrying these resistance genes are already widespread throughout the world, including the U.S., Europe, Asia and South America. Clinically relevant carbapenemases include both SBLs, such as KPC-2 and OXA-48, and MBLs, such as NDM-1. MBL-producing strains are endemic within the community in many Asian countries, have successfully spread worldwide, and account for many significant CRE outbreaks.

Taniborbactam is one of two BLIs in late stage development in China that covers all four Ambler classes of enzymes, including Class B metallo-beta-lactamases, which is particularly important in China and rest of Asia. We believe that cefepime-taniborbactam also presents strong commercial portfolio synergy with eravacycline. Both product candidates present clinical advantages over the current standard of care, namely, carbapenems and tigecycline. Together, they have the ability to treat a wide variety of hospital or community acquired MDR infections. However, they have distinct mechanisms of action and, if approved, will be labeled for different indications.

Competitive Advantages

Cefepime-taniborbactam has demonstrated improved potency compared to older agents in widespread clinical use, including carbepenems and other BL/BLI combinations in numerous in vitro studies. We believe that cefepime-taniborbactam has the potential to be a best-in-class safe and effective therapy treatment for infections caused by MDR Gram-negative bacteria, particularly MBL producers which are prevalent in China and other Asian countries.

Antibacterial Spectrum amongst Major BL/BLI Combinations

	Company US/China	Available in the US	Available in China	Gram (-) Carbapenem Resistant		Gram (+)	β-lactamases			
				Enterobacteriaceae	*P. aeruginosa*		*Class A (ESBL, KPC)*	*Class B (NDM, VIM)*	*Class C (AMPC)*	*Class D (OXA)*
BL/BLIs										
Cefepime/ Tanibor-bactam	Venatorx/ Everest	x	x	✓	✓	✓	✓	✓	✓	✓
Ceftazidime/ Avibactam	Allergan/Pfizer	✓	✓	✓	✓	✓	✓	x	✓	✓
Ceftolozane/ Tazobactam	MSD/Cubist	✓	x	x	✓	✓	ESBL Only	x	x	x
Aztreonam/ Avibactam	Pfizer/Pfizer	x	x	✓	x	x	✓	✓	✓	✓
ETX-2514/ Sulbactam	Entasis/Zai Lab	x	x	✓	x	x	✓	x	✓	✓
Cilastatin/Imi penem/Releb actam	MSD/MSD	✓	x	✓	✓	✓	✓	x	✓	x

Source: Frost & Sullivan Analysis

Development of Taniborbactam by Venatorx

Pre-clinical studies

Taniborbactam in combination with cefepime demonstrated potent *in vitro* activity against beta-lactamase-producing *Enterobacteriaceae*, including SBL and MBL producing isolates, and *P. aeruginosa*, based on 90% minimal inhibitory concentration (MIC90) determinations.

In a study consisting of 1,800 (1,385 gram-negative and 415 gram-positive) clinical isolates from community- and hospital-associated sources in Europe and North America, the activity of taniborbactam in combination with cefepime was assessed relative to that of multiple comparator antibiotics. Cefepime-taniborbactam was the most potent drug tested against recent gram-negative clinical isolates, including difficult to treat cephalosporin and carbapenem-resistant *Enterobacteriaceae* and *Pseudomonas aeruginosa* producing either serine (ESBL, OXA, KPC, AmpC) or metallo (NDM,VIM) beta-lactamase.

At a fixed concentration of 4 mg/L, taniborbactam reduced the MIC90 of cefepime for all *Enterobacteriaceae* combined to 0.5 mg/L, a ≥ 256-fold reduction relative to the MIC90 for cefepime alone. Cefepime-taniborbactam inhibited 99% of all *Enterobacteriaceae* at the cefepime dose dependent breakpoint of ≤ 8 mg/L, including 99% of ESBL-producers and 93% of meropenem-non-susceptible CRE isolates.

Cefepime-taniborbactam also showed potent *in vitro* activity against *Pseudomonas aeruginosa*. In MIC_{50} and MIC_{90} tests, taniborbactam potentiated cefepime activity by two- to at least four-fold against *Pseudomonas aeruginosa*, overall and within each resistant subset. Taniborbactam also reduced the MIC_{90} of cefepime for *Pseudomonas aeruginosa* by 4 fold compared to the MIC_{90} for cefepime alone and also restore cefepime activity in cefepime resistant isolates.

Clinical Studies

Phase 1 Study of Single and Repeat Doses of Taniborbactam in Healthy Subjects

Venatorx has completed a Phase 1, randomized, single-center, double-blind, placebo-controlled, sequential group study in healthy subjects. In the SAD cohorts, subjects received single doses of 62.5 mg, 125 mg, 250 mg, 500 mg, 1000 mg, or 1500 mg of taniborbactam as a two-hour IV infusion. In the MAD cohorts, subjects received 250 mg, 500 mg, or 750 mg taniborbactam q8h for 10 days. PK samples were collected pre-dosing and at frequent intervals. Safety was assessed from AEs, laboratory tests, physical examination, vital signs, and electrocardiogram (ECG).

Data for all subjects in the SAD (n=48) and the MAD cohorts (n=36) were analyzed. Taniborbactam total clearance (CL) was approximately 6 L/h and volume of distribution (Vz) was about 30 to 50 L. The half-life based on a non-compartmental analysis was approximately 6.5 hours. After single doses of 62.5 to 1500 mg and multiple doses of 250 to 750 mg q8h, taniborbactam demonstrated a linear and dose-proportional PK profile with low variability. Modeling of taniborbactam plasma concentrations showed that the PK fit a two-compartment model with most of the drug exposure accounted for within an initial elimination phase that had a half-life of approximately two hours. Minimal accumulation of taniborbactam was observed following q8h dosing over 10 days. No safety issues were identified. The most common AEs in the study were headache (11.1%), nausea (7.4%), and constipation (7.4%).

Phase 1 Pharmacokinetics Study of Taniborbactam in Combination with Cefepime and Metronidazole

Venatorx has completed a Phase 1 study to evaluate the PK of the combination of IV taniborbactam and cefepime, and co-administration of the combination with oral metronidazole.

Eighteen subjects were enrolled, of whom 17 completed the study with one subject withdrawn for non-compliance. Mean half-life was similar across groups ranging from 3.1 to 3.3 hours. Mean CL of taniborbactam was similar across Treatment Sequences A, C, D (range: 5.5 to 5.9 L/h). All taniborbactam PK parameters had a relatively low degree of variability (CV% < 20%). There were no PK interactions between cefepime and taniborbactam alone and in combination, or when cefepime and taniborbactam were co-administered with metronidazole.

Nine (50%) subjects experienced 13 TEAEs. All AEs were mild, and no serious AEs or discontinuation for AEs occurred. Headache (five [27.8%]), constipation (two [11.1%]), and vaginal infection (two [11.1%]) were the most common AEs. No safety concerns were identified. There were no clinically significant abnormal laboratory findings, no AEs related to clinical laboratory findings and no clinically significant changes in ECG, vital signs or physical examination.

No drug-drug interactions were observed between taniborbactam and cefepime. No drug-drug interactions were observed when cefepime and taniborbactam were co-administered with metronidazole. Co-administration of taniborbactam was safe and well tolerated.

Phase 3 Study in Patients with cUTI

Venatorx has initiated a global Phase 3, randomized, double-blind, active controlled non-inferiority study to evaluate the efficacy, safety and tolerability of cefepime-taniborbactam compared with meropenem in adults with cUTI, including acute pyelonephritis. The primary endpoint of this study is the composite of microbiological eradication and symptomatic clinical success in the microbiological intent-to-treat (microITT) population at test of cure (TOC). Venatorx began enrolling patients in 2019, and expect to enroll a total of 582 patients for this study.

Our Clinical Development Plan

We received regulatory approval in May 2019 to conduct a pharmacokinetics bridging study of taniborbactam in China and also joint development of cefepime-taniborbactam in cUTI patients in China by joining the global registrational trial sponsored by Venatorx. We enrolled the first patient in China in early 2020. The primary endpoint for the registrational trial will be microbiological and clinical cure rate at TOC. The secondary endpoints will be clinical cure rate and microbiological cure rate at various other time points. We expect to initiate the PK bridging study in the second half of 2020 and expect to complete both trials in 2021.

Licenses, Rights and Obligations

We in-licensed taniborbactam from Venatorx in September 2018 for development in Greater China, South Korea and certain Southeast Asian countries as described under "—Overview of Our License Agreements—Taniborbactam" below.

SPR206

SPR206 is an IV antibiotic in the polymyxin class designed to treat MDR Gram-negative infections in the hospital setting and was in-licensed from New Pharma License Holdings Limited, a wholly-owned

subsidiary of Spero Therapeutics, Inc., or Spero, and which has since been transferred to Spero. Spero has completed a first-in-human SAD/MAD Phase 1 trial of SPR206 in Australia. In pre-clinical studies, SPR206 showed activity as a single agent against both MDR and extensively drug resistant, or XDR, bacterial strains, including isolates of *Pseudomonas aeruginosa*, *Acinetobacter baumannii* and CRE in both *in vitro* and *in vivo* models of infection. Spero was granted qualified infectious disease product, or QIDP, designation by the U.S. FDA for SPR206 in October 2018 for the treatment of cUTI and hospital-acquired bacterial pneumonia and ventilator-associated bacterial pneumonia, or HABP/VABP.

We believe that SPR206 has the potential to offer a broad-spectrum of activity against MDR Gram-negative pathogens, together with improved safety and tolerability compared with other molecules in its class. Spero initiated a Phase 1 clinical trial of SPR206 in December 2018, designed as a two-part, double-blind, placebo-controlled study of the safety, tolerability and pharmacokinetics of single and multiple ascending doses of SPR206 in healthy volunteers. In January 2020, Spero reported positive preliminary trial data from this trial demonstrating that SPR206 was well tolerated at doses likely to be within a therapeutic range for MDR Gram-negative bacterial infections and showed no evidence of nephrotoxicity. Spero expects to initiate a Phase 1 bronchoalveolar lavage (BAL) clinical trial assessing the penetration of SPR206 into the pulmonary compartment in the second half of 2020.

In January 2019, we entered into a license agreement with Spero under which Spero granted us an exclusive license to develop, manufacture and commercialize SPR206, or products containing SPR206, for all uses in humans in Mainland China, Hong Kong, Macau, Taiwan, South Korea and certain Southeast Asian countries.

We are preparing to submit an IND application with the NMPA for SPR206 after the completion of Spero's global Phase 1 studies.

Mechanism of Action

The polymyxin class of antibiotics has been available for many decades and is frequently the therapeutic option of last resort for treatment of many MDR Gram-negative infections. Like other polymyxins, we believe SPR206 binds to constituents of the outer cell membrane lipopolysaccharides (LPS) of Gram-negative bacteria resulting in a loss of outer membrane integrity and increased permeability.

Market Opportunity in China

Increasing antibiotic resistance in Gram-negative bacteria, particularly in *Pseudomonas aeruginosa, Acinetobacter baumannii* and *Klebsiella pneumoniae*, presents a global medical challenge. Polymyxin antibiotics are effective against all these challenging gram-negative bacteria, but its use is severely limited by toxicities, particularly nephrotoxicity (renal toxicity). Nevertheless, there has been a strong resurgence in their clinical use in recent years due to the high level of resistance to better tolerated agents and clinicians being left with no alternative options.

Two classes of polymyxin are currently approved in China, polymyxin B and colistin, both have injection forms for systemic use and are included in the NRDL list B. According to the Frost & Sullivan Report, polymyxin antibiotics are one of the most expensive antibiotics in China with daily cost in excess of RMB5,000.

New polymyxin derivatives with comparable efficacy, but an improved therapeutic index would have an attractive clinical and commercial profile. We believe that SPR206 also presents strong commercial portfolio synergy with eravacycline and cefepime-taniborbactam. Together, they have the ability to treat a wide variety of hospital or community acquired MDR infections.

Competitive Advantages

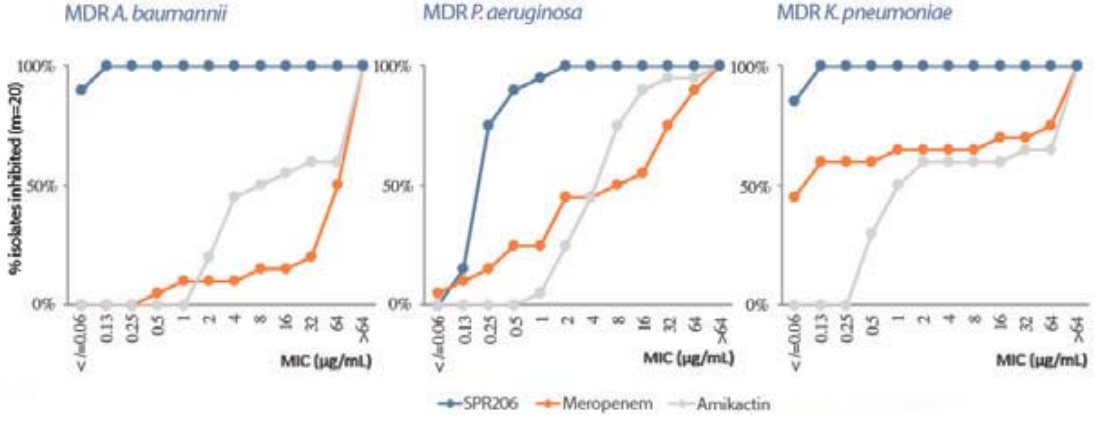
We believe that SPR206 may be a safe and potent IV-administered agent that can potentially address these critical unmet needs, including infections caused by MDR resistant strains of *Pseudomonas aeruginosa* and *Acinetobacter baumannii*. Results from pre-clinical and clinical studies to date, including *in vitro* and *in vivo* good laboratory practice (GLP) safety pharmacology studies and a first in human Phase 1 clinical trial conducted by Spero, SPR206 appears well tolerated at doses likely to be within a therapeutic range for MDR Gram-negative bacterial infections and showed no evidence of nephrotoxicity. If ultimately approved, we believe SPR206 has the potential as a treatment for high-risk patients with suspected or known Gram-negative infections, such as CRE, CRAB, and MDR *Pseudomonas aeruginosa*, thereby improving therapeutic outcomes, decreasing physicians' reliance on drugs of last resort and encouraging improved antibiotic stewardship.

Development of SPR206 by Spero

SPR206 was assessed by Spero in a suite of non-clinical, IND-enabling studies, including 14-day, two species, GLP toxicology experiments and *in vitro* and *in vivo* GLP safety pharmacology and ADME (absorption, distribution, metabolism, and excretion) studies. The data suggest the potential for an acceptable safety profile and add context to earlier microbiological and *in vivo* efficacy testing of SPR206 that demonstrated potent activity as a single agent against MDR and XDR bacterial strains, including CRPA, CRAB, and CRE. The composite data suggest SPR206 has the potential for wide therapeutic margins in the setting of serious hospital Gram-negative infections, thereby distinguishing it from other members of the class, such as colistin and polymyxin-B (PMB), which are used to treat life-threatening MDR infection, despite having a very poor safety and tolerability profile at therapeutic doses, most notably nephrotoxicity.

Results from Spero's multiple susceptibility testing studies against MDR and XDR Gram-negative bacteria suggests that SPR206 is capable of potent activity against MDR *Enterobacteriaceae*, CRPA and CRAB.

Potency of SPR206 Against MDR Gram-Negative Pathogens



Source: Spero

Since in-licensing SPR206, we have completed an *in vitro* microbiology study of China-specific clinical isolates, including a number of MDR and XDR gram negative strains. Data from this study demonstrated high potency against all isolates, consistent with the activity shown by Spero against clinical isolate collections from the United States and Europe.

In addition, SPR206 has shown potential activity against a carbapenem resistant strain of *Acinetobacter baumannii* exceeding the activity of PMB and TIG in a mouse lung infection model.

Spero initiated a double-blind, placebo-controlled, single and multiple ascending dose, multi-cohort Phase 1 trial of SPR206 in healthy subjects in December 2018 and reported positive top-line data from the trial in January 2020. Preliminary Phase 1 clinical data suggests that SPR206 is well tolerated at doses that are likely to be within a therapeutic range for target MDR Gram-negative bacterial infections and has a safety profile that Spero believes supports the further development of SPR206. No evidence of nephrotoxicity was observed in the study. Spero plans to initiate a Phase 1 bronchoalveolar lavage (BAL) clinical trial assessing the penetration of SPR206 into the pulmonary compartment in the second half of 2020 as well as initiate a renal impairment study of SPR206.

Our Clinical Development Plan

We plan to conduct a Phase 1 study in China and coordinate with Spero in the global registrational studies of SPR206.

Licenses, Rights and Obligations

We in-licensed SPR206 from Spero in January 2019 for development in Greater China, South Korea and certain Southeast Asian countries as described under "—Overview of Our License Agreements—SPR206" below.

FGF401

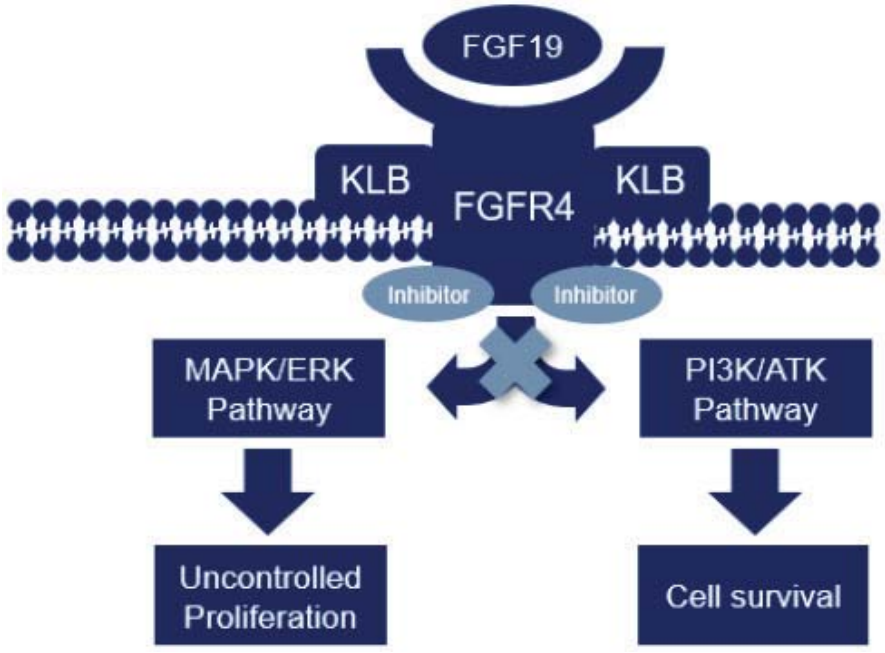
FGF401 is a small molecule ATP competitive inhibitor of fibroblast growth factor receptor 4, or FGFR4, that was discovered by Novartis. FGF401 is a potential new treatment for HCC and other solid tumors with activation of FGF19-FGFR4 pathway.

In June 2018, our subsidiary, EverNov Medicines Limited ("**EverNov**"), entered into an exclusive (subject to certain rights that are retained by Novartis) global licensing agreement with Novartis International Pharma to develop and commercialize FGF401. Under this agreement, Novartis grants EverNov an exclusive license to develop, manufacture and commercialize Novartis' proprietary FGFR4 inhibitor FGF401 for all purposes worldwide.

Mechanism of Action

FGF401 is a small molecule ATP-competitive inhibitor of FGFR4. Upon administration, FGF401 binds in a reversible-covalent manner to the FGFR4 kinase domain and inhibits the activity of FGFR4, which leads to an inhibition of tumor cell proliferation in FGFR4-overexpressing cells.

FGFR4 is a receptor for fibroblast growth factor 19 (FGF19) ligand and requires KLB as a co-receptor. FGF19 has a dual function, in that it is both an endocrine factor which suppresses bile acid biosynthesis and a growth factor that drives tumor proliferation. FGFR4 serves as a target for treatment of cancer because activation of FGF19-FGFR4 pathway occurs in liver tumors and other solid tumors. Knockdown of FGF19, FGFR4 and KLB in liver cancer cell lines inhibits proliferation, and FGF19 expressed by non-tumor cells can lead to tumor formation in the liver.



Source: Frost & Sullivan Report

Market Opportunity in China

FGF401 is a potential new treatment for HCC and other solid tumors with activation of FGF19-FGFR4 pathway. HCC is the most common form of liver cancer. Fibroblast growth factor receptors (FGFRs) play a key role in regulating cell survival and proliferation, and a growing body of evidence suggest they also play a role in cancer progression. Approximately 20% of HCC patients are believed to have an aberrantly activated FGF19-FGFR4 signaling pathway, which is believed to be the driver of HCC in these patients, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, in China, liver cancer is one of the top five cancer types in terms of annual incidence, which collectively account for more than 50% of new cancer patients each year. In China, HCC, account for 90% of all liver cancers, is a large economic burden with a huge patient pool, low accessibility, low affordability and ill-educated, providing new entries with great growth potential.

Under China's current standard of care, first-line treatment options for HCC are limited to sorafenib and lenvatinib. Sorafenib has shown time to tumor progression (TTP) of 5.5 months (ORR 2%) in Western patients (SHARP study) versus TTP of 2.8 momths (ORR 3.3%) in Pacific-Asian patients (Oriental Study) in accordance with RECIST 1.1. Lenvatinib has demonstrated non-inferior OS versus sorafenib, with median OS of 13.6 months versus 12.3 months and TTP of lenvatinib versus sorafenib was 8.9 months versus 3.7 months, whereas ORR was 24.1% versus 9.2%. In May 2020, the FDA approved atezolizumab in combination with bevacizumab for the treatment of patients with unresectable or metastatic hepatocellular carcinoma who have not received prior systemic therapy. However, this combination treatment is not available in China yet.

Second-line treatment option in China is regorafenib. In RECOREC study, it demonstrated superior OS of 10.6 months than OS of 7.8 months by placebo. Regorafenib was approved by FDA and NMPA for the treatment of patients with hepatocellular carcinoma (HCC) who have been previously treated with

sorafenib. Meanwhile, PD-1/PD-L1 inhibitors, including Nivolumab and Pembrolizumab were also approved for HCC second line therapy by FDA, but they are still not available in China.

Despite the above treatments, prognosis for patients with advanced HCC remains poor. Specifically, in clinical practice, patients often require dose modifications or discontinue sorafenib and regorafenib therapy due to tolerability issues. As a result, there is a significant unmet need for new HCC treatments, including FGFR4-driven HCC. We believe that FGF401 can provide significant clinical value to the therapeutic landscape.

Development of FGF401 by Novartis

Novartis conducted a Phase 1/2 multicenter, open-label trial of oral FGF401 in adult patients with HCC or solid malignancies characterized by positive FGFR4 and KLB expression. The clinical data suggest that FGF401 has a manageable safety profile, consistent with FGF19 pathway inhibition. The primary end point of this trial was to determine the maximum tolerated doses (MTDs) and recommended Phase II doses (RP2Ds). Secondary endpoints measured SAEs, best overall response (BOR), overall response rate (ORR), DCR, and TTP, among other safety measures. Most AEs were Grade 1/2, and the most frequently observed AE, diarrhea, is an anticipated on-target AE consistent with inhibition of the FGFR4/FGF19 pathway and its role in bile acid synthesis. The recommended Phase 2 dose was declared as 120 mg once daily. SAEs observed in this trial regardless of study treatment relationship included Aspartate Aminotransferase (AST) increase (3%), Alanine Aminotransferase (ALT) increase (2%), ascites (5%), blood bilirubin increase (2%), and dyspnea (2%).

The clinical benefit was observed in patients with advanced and heavily pre-treated HCC in the dose escalation part of this study. A number of patients received clinical benefit with FGF401. One patient had a complete response and seven patients a partial response. Further, overall survival with the chance of being event free after 9 months was 30.4% in HCC patients from Asian countries and 61.5% in HCC patients from non Asian countries. Analysis of serum biomarkers demonstrated FGF19 pathway inhibition, and preliminary assessment indicated favorable pharmacokinetic profile.

Our Clinical Development Plan

We received IND approval from the NMPA in March 2020 and initiated a Phase 1b/2 trial in solid tumor patients in the second half of 2020. This Phase 1b/2 trial will investigate the safety and efficacy of FGF401 in combination with pembrolizumab in patients with solid tumor who test positive for FGF19 expression. This biomarker patient enrichment strategy is important in helping to identify patients who would most likely benefit from FGF401. We plan to enroll up to 70 patients. Pending results from the Phase 1b/2 trial, including the optimal dosage level and schedule, and preliminary efficacy and safety data, we may initiate a registrational trial of FGF401 in HCC patients in 2022.

Licenses, Rights and Obligations

EverNov in-licensed FGF401 from Novartis in June 2018 for development worldwide as described under "—Overview of Our License Agreements—FGF401" below.

Overview of Our License Agreements

Eravacycline (Xerava)

In February 2018, we entered into a license agreement with Tetraphase Pharmaceuticals, Inc., or Tetraphase, pursuant to which Tetraphase grants us an exclusive license to develop and commercialize

eravacycline in Mainland China, Taiwan, Hong Kong, Macau, South Korea and Singapore for the treatment of cIAI and other indications for which Tetraphase submits a drug approval application for eravacycline outside the licensed territory and any other human indication agreed by the parties pursuant to the agreement. Tetraphase is a biopharmaceutical company, which uses its proprietary chemistry technology to create novel tetracyclines for serious and life-threatening conditions, including infections caused by many of the multidrug-resistant bacteria highlighted as urgent public health threats by the World Health Organization and the Centers for Disease Control and Prevention. Its principal executive offices are located in Watertown, Massachusetts. It is independent from our Company, the Directors and the Controlling Shareholders.

In July 2019, we and Tetraphase entered into an amendment to the license agreement to expand the geographic coverage of our exclusive license to develop and commercialize eravacycline in Malaysia, Thailand, Indonesia, Vietnam and the Philippines. Under this license agreement, we grant Tetraphase an exclusive, royalty-free, fully paid-up, perpetual license under certain of our patents and know-how that are necessary to research, develop, manufacture and commercialize eravacycline and related materials and products outside our licensed territory. We are solely responsible under this agreement for developing and commercializing licensed products in the territories where we are licensed. Tetraphase has agreed to manufacture and supply us with products for clinical and commercial supply, which we will purchase at cost for clinical supply and cost plus a 10% margin for commercial supply.

Pursuant to this agreement, we paid Tetraphase an upfront payment of US$7.0 million in the first quarter of 2018, US$2.5 million in June 2018 based on our submission of an IND in China, and US$3.0 million based on dosing of the first patient in the first Phase 3 trial of a licensed product in the field in China. Under this agreement, we also are obligated to pay Tetraphase up to an aggregate of US$11.0 million upon the achievement of certain clinical development and regulatory milestones and up to an aggregate of US$20.0 million upon the achievement of certain sales milestones. During the royalty term, we also are obligated to pay royalties on net sales of products containing eravacycline ranging from low to mid-teens. The royalty term continues on a country-by-country and product-by-product basis beginning on the first commercial sale in a country until the latest of expiration of the last-to-expire licensed patent that contains a valid claim in such country, expiration of marketing or regulatory exclusivity for such eravacycline product in such country, or 10 years from the first commercial sale of such eravacycline product in such country. Pursuant to the July 2019 amendment to the license agreement, we paid Tetraphase an additional one-time upfront payment of US$2.0 million.

Under this agreement, Tetraphase agrees not to develop, commercialize or promote tetracycline class products in Mainland China, Taiwan, Hong Kong, Macau, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines during the term and for three years after termination of the agreement by us for breach or insolvency. In addition, during the term and for three years after termination of the agreement by Tetraphase for patent challenge, breach or insolvency, or for one year after any other termination of the agreement, we cannot research, develop, manufacture or commercialize any competing tetracycline class products throughout the world, other than the development and commercialization of eravacycline products in the licensed territory as permitted under the agreement. Further, we also may not develop or commercialize eravacycline or related products for any indications other than our licensed indications outside of our licensed territories during the term and for three years after the termination of the agreement.

Certain of the rights, licenses and sublicenses granted by Tetraphase to us in this agreement are subject to the terms of the license agreement between Tetraphase and the President and Fellows of Harvard College (Harvard) dated as of 3 August 2006 (Harvard License). Pursuant to the Harvard License,

Tetraphase receives a worldwide, exclusive, royalty-bearing license to certain Harvard patent rights to develop, make, market and sell any product which falls under the scope of a valid claim under the Harvard patent rights. Tetraphase has licensed from Harvard technology related to research methods and the synthesis of novel tetracycline analogs. The key patents covering the composition of matter of eravacycline and method of preparing eravacycline are owned by Tetraphase. Termination of the Harvard License could result in certain intellectual property being excluded from our license from Tetraphase. The only circumstance where we may cause termination of the Harvard License is an uncured breach by us, such as by failing to comply with proper reporting requirements or applicable law, that causes Tetraphase to have an uncured breach of the Harvard License. If we caused such termination, under certain circumstances, we are obligated to use commercially reasonable efforts to negotiate a direct license to us from Harvard that we can exclusively sublicense to Tetraphase on terms no less favorable than those in our direct license agreement with Harvard. If we did not cause termination, we will have the right (but not the obligation) to negotiate a direct license from Harvard who agrees to negotiate in good faith.

The agreement with Tetraphase remains in effect until the later of the last to expire royalty term or the expiration of the Harvard License, unless terminated earlier by either party pursuant to the agreement. The agreement can be terminated because of the other party's uncured material breach, bankruptcy or insolvency or by Tetraphase due to patent challenge by us. Our exclusive license to Tetraphase may be extended in the event of any early termination of the agreement so long as Tetraphase pays a 3% royalty on net sales if the termination was a result of Tetraphase's breach. Following the expiration of a royalty term for a jurisdiction, the license to the related product in that jurisdiction becomes perpetual, irrevocable, fully paid and royalty-free. We may not assign the agreement without prior written consent of Harvard and Tetraphase, except to an affiliate or to certain of our successors in interest.

Etrasimod

In December 2017, we entered into a collaboration and license agreement with Arena Pharmaceuticals, Inc., or Arena, regarding the development and commercialization of its proprietary products ralinepag and etrasimod in the territories of Mainland China, Taiwan, Hong Kong, Macau and South Korea. Arena is a biopharmaceutical company focused on delivering novel, transformational medicines with optimized pharmacology and pharmacokinetics to patients globally. Its most advanced investigational clinical programs include: etrasimod (APD334), being evaluated in a Phase 3 program for ulcerative colitis, a Phase 2b/3 program for Crohn's disease, and a Phase 2b program in atopic dermatitis, or AD. Arena is headquartered in San Diego, California, with operations in Boston, Massachusetts, and Zug, Switzerland. It is independent from our Company, the Directors and the Controlling Shareholders.

In January 2019, we and Arena entered into two separate agreements which superseded the 2017 agreement, one of which relates to ralinepag and the other of which relates to etrasimod (the agreement related to ralinepag is summarized in the section entitled Ralinepag).

Under the 2019 agreement related to etrasimod, Arena granted us an exclusive, royalty-bearing license, which is only sublicensable to third parties with Arena's consent and our affiliates without Arena's consent, to develop, manufacture and commercialize oral formulations of etrasimod in Mainland China, Taiwan, Hong Kong, Macau and South Korea. Arena also granted us a right of first refusal under this agreement to obtain a license to develop and commercialize non-oral formulations of etrasimod for use in any indication other than ulcerative colitis, multiple sclerosis, Crohn's disease, psoriasis or primary biliary cholangitis in the licensed territory. Our right of first refusal expires upon the later of 4 December 2018 or 45 days after the first publication of topline results of a phase 2 clinical trial of any non-oral formulation of etrasimod for any of the indications related to the right of

first refusal. In addition, under this agreement, we have the right to participate in the portion of Arena's global clinical trials conducted in our licensed territories. Under this agreement, we also granted Arena an exclusive, royalty-free, fully paid license under certain of our patents and know-how that are necessary to develop, commercialize, make, use, import, promote, sell and offer for sale etrasimod and products containing etrasimod outside our licensed territory.

We are obligated to use commercially reasonable efforts to develop and commercialize the licensed product in our licensed field and territory and are responsible for all development, manufacture (for commercial sale) and commercialization of the licensed product in these territories. In addition, we are obligated to achieve certain development and commercialization milestones by specific dates, including starting a Phase 3 clinical trial by 31 December 2020, filing a marketing authorization application by 31 December 2024 and having a first commercial sale within our licensed territory within six months of our first regulatory approval in that territory.

In addition to a US$12 million upfront payment we made in relation to both etrasimod and ralinepag under the original December 2017 agreement, under the 2019 agreement, Arena is eligible to receive development, regulatory and commercial milestone payments from us of up to US$116 million in the aggregate, as well as tiered royalties on net sales ranging from the high single digits to low teens on a country-by-country and product-by-product basis. Following an initial royalty term which continues, on a product-by-product and country-by-country basis until the latest of expiration of the last-to-expire valid claim of the licensed Arena patents (including Arena's interest in joint patents) that claims the composition of matter of such product, 12 years after the first commercial sale of such product in such country and expiration of regulatory exclusivity for such product in such country, Arena is also eligible to receive a low single digit royalty for use of Arena's licensed trademarks. In the fourth quarter of 2018, the NMPA in China accepted the initial clinical trial application for etrasimod. As a result, we paid Arena a milestone payment of US$1 million pursuant to our agreement with Arena. In addition, we paid US$5.0 million in milestone payment to Arena in November 2019 for the initiation of the first Phase 3 clinical trial of etrasimod for the indication of ulcerative colitis.

Under the agreement, we agreed not to develop, commercialize or promote any compound or product that is or may be formulated for oral delivery that modulates the S1P receptor, other than etrasimod or etrasimod products, without Arena's prior written consent.

The agreement will remain in effect on a country-by-country and product-by-product basis as long as we continue to sell licensed products under an Arena trademark. After expiration of all royalty terms for a licensed product, the related license shall become non-exclusive, fully paid up and royalty-free. The agreement may be terminated earlier by mutual agreement, by either party due to uncured material breach or insolvency of the other party or by us for convenience with 180 day notice. We may not assign or transfer this agreement without consent, except (a) to an affiliate not organized under the laws of China or (b) in connection with the transfer or sale of all or substantially all of our business or assets relating to etrasimod products to a third party, whether by merger, consolidation, divesture, restructure, sale of stock, sale of assets or otherwise, but only if the acquiring party (i) is not organized under the laws of China and (ii) has certain adequate capitalization, asset or sales levels.

Sacituzumab Govitecan (Trodelvy)

In April 2019, we entered into a license agreement with Immunomedics, Inc., or Immunomedics, under which Immunomedics granted us an exclusive license to develop and commercialize (but not manufacture) its proprietary ADC sacituzumab govitecan to treat mTNBC, other oncological indications or any other indication approved (as set forth in the label) by regulatory authorities in

Mainland China, Taiwan, Hong Kong, Macau, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore or Mongolia in the aforementioned territories. Immunomedics is a clinical-stage biopharmaceutical company developing monoclonal antibody-based products for the targeted treatment of cancer. Its most advanced product is Trodelvy (sacituzumab govitecan), an antibody-drug conjugate that has been approved by the U.S. FDA for the treatment of patients with mTNBC who previously received at least two prior therapies for metastatic disease. Its corporate headquarters are located in Morris Plains, New Jersey. It is independent from our Company, the Directors and the Controlling Shareholders. In September 2020, Gilead Sciences, Inc. and Immunomedics jointly announced that they have entered into a definitive agreement pursuant to which Gilead Sciences, Inc. proposes to acquire Immunomedics for approximately US$21 billion. The transaction is currently anticipated to close during the fourth quarter of 2020.

We are required to use commercially reasonable efforts to develop and commercialize these licensed products for the licensed indications within the territories that we are licensed. Under this agreement, we also grant Immunomedics an exclusive, royalty-free, fully paid-up license under patents and know-how controlled by us that are reasonably necessary or useful to research, develop, use or sell sacituzumab govitecan outside of our licensed territories.

Certain of the rights granted by Immunomedics to us in this agreement are subject to the terms of the license agreement between Immunomedics and The Scripps Research Institute (TSRI) dated as of 4 April 2018 (TSRI License), pursuant to which Immunomedics is granted a worldwide, exclusive, sublicensable, royalty-bearing license to certain patent rights to research, develop, make, market and sell any sacituzumab govitecan product. This license is subject to certain rights and obligations to the U.S. Government based on TSRI's support from the U.S. Government, and a non-exclusive, non-sublicensable license grant to Novartis AG for purposes of making and using, but not selling, sacituzumab govitecan research products.

In consideration for entering into this agreement, we made a one-time, upfront payment to Immunomedics in the amount of US$65 million. We have paid a development milestone of US$60 million as the FDA has approved sacituzumab govitecan for an mTNBC indication for patients who have received at least two prior anti-cancer therapies in the metastatic setting. We are also required to pay other development and sales milestone payments totaling up to US$710 million in the aggregate if we achieve certain milestones. The key components of the remaining milestone payments include up to US$180 million of clinical and regulatory milestones and up to US$530 million of commercial milestones. We also are required to pay escalating tied royalties ranging from mid-teens to twenty percent of net sales of sacituzumab govitecan in the licensed territories, which payments will be payable beginning on the first commercial sale of sacituzumab govitecan in a country, and will end upon the latest of when the sale of sacituzumab govitecan is no longer covered by a valid claim in such country, expiration of regulatory exclusivity in such country and 15 years from the first commercial sale of sacituzumab govitecan in such country. Such royalty term will be extended on an indication-by-indication basis and country-by-country basis for up to 10 additional years so long as there is no competing antibody-drug conjugate product for sale in such country for such indication. During this additional 10-year royalty term, the royalty rate decreases to 50% of the applicable royalty rates during the initial royalty term. Under this agreement, during the term, we have agreed that we will not develop, market or commercialize products that target TROP-2 for use in the field for which, and territory in which, we are granted a license. We also have agreed to grant any acquirer of Immunomedics a right of first negotiation to co-commercialize sacituzumab govitecan. As of the Latest Practicable Date, we have not granted this right of first negotiation.

This agreement will remain in effect on a country-by-country basis until the expiration of the royalty term for such country, unless terminated earlier by either party due to the other party's uncured material breach, bankruptcy or insolvency or by Immunomedics due to patent challenge by us. After expiration of the royalty term for a country, the licenses granted to us in that country become perpetual, irrevocable, royalty-free, fully paid up, transferable and sublicensable, however, this agreement is not otherwise assignable by either party to third parties (except to such party's affiliates) without the other party's consent.

Nefecon

On 10 June 2019, we entered into a license agreement with Calliditas Therapeutics AB, or Calliditas, which grants us exclusive rights to develop and commercialize its proprietary formulation of budesonide, Nefecon, in Mainland China, Hong Kong, Macau, Taiwan and Singapore, initially for the treatment of IgA nephropathy (IgAN). Calliditas is a specialty pharmaceutical company based in Stockholm, Sweden focused on identifying, developing and commercializing novel treatments in orphan indications, with an initial focus on renal and hepatic diseases with significant unmet medical needs. Calliditas' lead product candidate, Nefecon, is a proprietary, novel oral formulation of budesonide, an established, highly potent local immunosuppressant, for the treatment of IgAN. Calliditas is listed on Nasdaq Stockholm (ticker: CALTX) and the Nasdaq Global Select Market (ticker: CALT). It is independent from our Company, the Directors and the Controlling Shareholders.

Under this agreement, Calliditas grants us an exclusive, royalty-bearing license to develop and sell Nefecon for the treatment of IgAN in Mainland China, Hong Kong, Macau, Taiwan and Singapore. Calliditas has the right to manufacture the drug product for use outside the licensed territories, and we have the right to manufacture the drug product within the licensed territories either ourselves or by appointing a designated manufacturer. Upon request and notice from us, Calliditas will make a good faith effort to effect a technology transfer of the commercial scale manufacturing process of the drug product to us or our designated manufacturer. We grant Calliditas an exclusive, royalty-free, perpetual, irrevocable license under our share of the intellectual property created by us that is directed to the method of making or using Nefecon, which we jointly own with Calliditas, to use such intellectual property for any purpose outside the territories. We are responsible for conducting all clinical trials for Nefecon in the licensed territories generally. If Calliditas pursues other indications for Nefecon, we have an exclusive option to extend the license to include such additional indications by paying a pre-defined milestone per indication for the first additional two indications. We are responsible for all development expenses in our territory and following potential registration approvals, we will be responsible for the commercialization of Nefecon in the relevant territories.

Under the terms of the agreement, we made an initial upfront payment of US$15 million to Calliditas in July 2019, and we will also make future payments to Calliditas that are linked to pre-defined development, regulatory and commercialization milestones up to an additional US$106 million in the aggregate. We will also pay royalties ranging from high single digits to low teens on net sales on a product-by-product and country-by-country basis until the later of (i) 12 years from the first commercial sale in such country, (ii) the expiration of the last-to-expire valid claim of licensed patents and any patent covering the method of making or using of Nefecon in such country created during the term, and (iii) the expiration of regulatory exclusivity in such country. As of the Latest Practicable Date, we have paid US$5 million in milestone payments to Calliditas as we have received our first IND approval in China in December 2019, and we have not made any royalty payments to Calliditas.

Pursuant to this agreement, we may not conduct clinical programs to evaluate the efficacy of a competing product in patients with IgAN in the territory where we are granted a license under this

agreement for a defined period of time. In addition, we may not market or sell any competing product in that territory for a defined period of time, unless we pay Calliditas an additional pre-defined royalty.

The agreement with Calliditas shall remain in effect on a country-by-country basis until the expiration of the royalty term for such country, unless terminated earlier by either party due to the other party's uncured material breach, bankruptcy or insolvency or by Calliditas based on our violation of our noncompete obligations under this agreement or if we fail to meet certain key development milestones. We may terminate for convenience upon providing 12 months written notice. After expiration of the royalty term for a country with respect to a licensed product, the related licenses granted to us for such country become perpetual, irrevocable, royalty-free, fully paid up. If the license is terminated by us, depending on the reason for termination and stage of product development, we may be eligible to receive a royalty on net sales in the territory in the low single digit range.

Calliditas may transfer or assign the agreement to an affiliate or third party upon written notice to us. We may not assign or transfer the agreement without the prior written consent of Calliditas, other than to an affiliate or in connection with the sale of all or substantially all of our stock or assets to which this agreement relates.

Ralinepag

As discussed above, in January 2019, we and Arena entered into an agreement related to ralinepag, which supersedes our 2017 agreement related to that product and etrasimod. In January 2019, Arena assigned all of its rights and obligations under the ralinepag agreement to United Therapeutics Corporation, or United Therapeutics, in conjunction with the outlicense of ralinepag to United Therapeutics. United Therapeutics is a biotechnology company focused on the development and commercialization of innovative products to address the unmet medical needs of patients with chronic and life-threatening conditions. Its next-generation therapies are designed to address conditions such as PAH, pulmonary hypertension, cancer, and end-stage organ disease. Its principal executive offices are located in Silver Spring, Maryland and Research Triangle Park, North Carolina. It is independent from our Company, the Directors and the Controlling Shareholders.

Under the agreement related to ralinepag, we have been granted an exclusive, royalty-bearing license, which is only sublicensable to third parties with United Therapeutics' consent and our affiliates without United Therapeutics' consent, to develop, manufacture and commercialize ralinepag products in any formulation, in Mainland China, Taiwan, Hong Kong, Macau and South Korea. Under this agreement, we also granted United Therapeutics an exclusive, royalty-free, fully paid license under certain of our patents and know-how that are necessary to develop, commercialize, make, use, import, promote, sell and offer for sale ralinepag and products containing ralinepag outside our licensed territory.

In addition to a US$12 million upfront payment we made to Arena in relation to both ralinepag and etrasimod under the original December 2017 agreement, United Therapeutics (as assignee to Arena) is eligible to receive development, regulatory and commercial milestone payments from us of up to US$96 million in the aggregate, as well as tiered royalties on net sales ranging from the high single digits to low teens on a country-by-country and product-by-product basis. In the fourth quarter of 2018, the NMPA in China accepted the initial clinical trial application for an oral formulation of ralinepag. As a result, we paid Arena a milestone payment of US$1 million pursuant to our agreement with Arena prior to the assignment of the agreement to United Therapeutics. After assigning the agreement to United Therapeutics, we also paid US$2.5 million in milestone payment to United Therapeutics in September 2019 for the initiation of the first Phase 3 clinical trial of ralinepag for the indication of pulmonary artery hypertension.

Taniborbactam

In September 2018, we entered into a collaboration, license and supply agreement with Venatorx Pharmaceuticals, Inc., or Venatorx, pursuant to which Venatorx grants us an exclusive license to exploit for all uses in humans a pharmaceutical product containing taniborbactam (formerly VNRX-5133), in combination with a ß-lactam, initially cefepime, in Mainland China, Macau, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines. Venatorx is a private company that is focused on the discovery and development of novel anti-infectives to treat multi-drug-resistant (MDR) bacterial infections and hard-to-treat viral infections. Its headquarters and research and discovery center are both located in Malvern, Pennsylvania. It is independent from our Company, the Directors and the Controlling Shareholders.

This license is subject to certain rights retained by Venatorx, any right held by the U.S. government to practice the licensed intellectual property and march-in rights of The Welcome Trust Limited. In May 2019, we and Venatorx entered into an amendment to the collaboration, license and supply agreement to provide for certain modifications in clinical trial design.

Under the terms of this agreement, we paid an upfront cash payment of US$5.0 million and purchased US$5.0 million of Series B stock in Venatorx. As of the Latest Practicable Date, we have paid Venatorx a total US$4.0 million of milestone payments and US$2.0 million for collaborative study. Venatorx will be eligible to receive milestone payments up to an additional US$90 million in the aggregate per product if certain development, regulatory and commercialization milestones are achieved. We will also be obligated to pay Venatorx royalties ranging from mid-single digits to low teens on net sales of the licensed products, on a product-by-product and country-by-country basis.

Under the agreement, we will collaborate with Venatorx on the global clinical development trials of taniborbactam for up to three indications (cUTI, MDR, and HABP/VABP) under a predetermined cost-sharing structure. We will be solely responsible for commercializing this combination in the licensed territory. We are required to exercise commercially reasonable efforts to develop, obtain regulatory approval for and commercialize taniborbactam. We must achieve certain commercial milestones within certain timeframes or Venatorx will have the right to terminate the agreement and develop product candidates with complete access to our relevant technology.

SPR206

In January 2019, we entered into a license agreement with Spero Therapeutics, Inc., or Spero, through its wholly owned subsidiaries New Pharma License Holdings Limited, or NPLH, and Spero Potentiator, Inc., or Potentiator, and NPLH has since assigned its assets to Spero. Spero is a multi-asset, clinical-stage biopharmaceutical company focused on identifying, developing and commercializing novel treatments for multidrug-resistant bacterial infections and rare diseases. Its principal executive offices are located in Cambridge, Massachusetts. It is independent from our Company, the Directors and the Controlling Shareholders.

Pursuant to this agreement, Spero granted us an exclusive license to develop, manufacture and commercialize any pharmaceutical product containing SPR206, for all therapeutic uses in humans, in Mainland China, Hong Kong, Macau, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines. Spero retained rights to develop, manufacture and commercialize SPR206 and any pharmaceutical product containing SPR206 in the rest of the world and the right to develop or manufacture SPR206 and any pharmaceutical product containing SPR206 in the licensed territories solely for exploitation outside the licensed territories. In addition, the U.S. Government

retains rights in certain patents licensed to us pursuant to 35 U.S.C. §§ 200-212 and 37 C.F.R. § 401 et seq., and any rights granted to us that are greater than permitted under these statutes will be deemed modified as may be required to conform to the statutes. Under this agreement, Potentiator also granted us a 12-month exclusive option to negotiate for an exclusive license to develop, manufacture or commercialize another drug candidate being developed by Potentiator, SPR741, in the same licensed territories. As of the Latest Practicable Date, we have not exercised this option. Under this license agreement, we grant Spero an exclusive, royalty-free license under certain of our technology solely to exploit any pharmaceutical product containing SPR206 for all therapeutic uses in humans outside of our licensed territory.

We paid Spero an upfront payment of US$2 million as partial consideration for our rights to SPR206 and US$1 million to Potentiator for the 12-month exclusive option for SPR741. We are obligated to make additional payments of up to US$59.5 million in the aggregate upon our achievement of specified development and regulatory milestones and our achievement of certain commercial milestones. Furthermore, we will also pay royalties ranging from high single digits to low teens on net sales of products containing SPR206 in the licensed territories, on a country-by-country and product-by-product basis.

FGF401

In June 2018, our subsidiary EverNov Medicines Limited (Cayman), or EverNov, entered into an exclusive global licensing agreement with Novartis International Pharmaceutical Ltd., or Novartis, to develop and commercialize FGF401. Novartis International Pharmaceutical Inc. is a subsidiary of Novartis AG (NYSE: NVS), a multinational group of companies specializing in the research, development, manufacturing and marketing of healthcare products led by innovative pharmaceuticals and also including high-quality generic pharmaceuticals. Its major therapeutic focus include cancer, cardiovascular, renal & metabolism diseases, immunology & dermatology, ophthalmology, neuroscience, and respiratory diseases. Its principal place of business locates in Basel, Switzerland. It is independent from our Company, the Directors and the Controlling Shareholders.

Under this agreement, Novartis grants EverNov an exclusive license to develop, manufacture and commercialize Novartis' proprietary FGF4 inhibitor FGF401 and products containing FGF401 for all purposes worldwide. Novartis retains certain rights to FGF401 to complete any on-going clinical trials and to fulfill post-trial commitments and conduct research and pre-clinical development.

After completion of all clinical trials in process as of the effective date by Novartis, EverNov is responsible for all regulatory matters related to FGF401 and FGF401 products, and has the final decision-making authority with respect to manufacturing of FGF401 and FGF401 products (subject to certain rights retained by Novartis). EverNov is also responsible for commercializing the FGF401 products. EverNov is obligated to use commercially reasonable efforts to develop FGF401 and FGF401 products and to obtain regulatory approval for and commercialize at least one FGF401 product in the United States, either Japan or China, and one of France, Italy, Germany or Spain.

In consideration of the license granted to EverNov, EverNov made a one-time upfront payment of US$20 million to Novartis and also granted Novartis 4 million shares of equity interest in EverNov. As a result, we and Novartis respectively hold approximately 92% and 8% equity interests (before any exercise of the warrant shares) in EverNov. EverNov also agreed to pay Novartis clinical and regulatory milestone payments of up to US$145 million in the aggregate, sales milestone payments of up to US$280 million in the aggregate, and tiered royalties on worldwide net sales on a country-by-country and product-by-product basis ranging from high single digits to low teens. As of the Latest Practicable Date, EverNov has not made any milestone or royalty payments.

Business Development and Alliance Management

We have established a highly experienced business development and alliance management organization with team members in New York, Boston, San Diego and Paris, which gives us global reach and local presence in key hubs of biopharmaceutical innovation. Since our founding in 2017, we have built a strong track record of collaboration with global large pharmaceutical companies, mid-cap biopharmaceutical companies and small-cap biotechnology companies across multiple continents. Most of our in-licensed products and product candidates are the lead assets of our global partners, which demonstrates the confidence our partners have to enter into long-term relationships with us to help them realize the full potential of these assets in Greater China and other parts of Asia.

Our business development team works closely with clinical development and commercial teams in China to address all technical, clinical, regulatory, IP, commercial and reimbursement considerations. We have evaluated hundreds of assets and closed a total of eight in-licensing deals to date. Two products that we in-licensed, eravacycline and sacituzumab govitecan, have received U.S. FDA approvals, while multiple other product candidates have announced positive clinical trial data after we consummated the licensing transactions. We believe these regulatory and clinical development milestones achieved by our partners increase the value of these products in our territories, and demonstrate our ability to assess and effectively evaluate the inherent risks and benefits of licensing candidates during our business development process.

Licensing Opportunity Identification, Evaluation and Selection Process

Since the founding of our Company in 2017, we have developed a proactive and systematic approach to identify hundreds of assets from prospective global partners that have potential to fit within our growing portfolio. Our business development team in the United States and Europe works together seamlessly with our clinical development team and our commercial team in China to select valuable in-licensing candidates in each of our therapeutic areas of focus.

Set forth below is a summary of our asset identification and evaluation process:

- *Pro-active screening*: Our global teams collaborate to develop a high level strategy, based on unmet medical need and potential commercial value, in each of our therapeutic areas of focus. Our business development team then performs a top down screen to generate a target set of global assets that may fit the company's strategic objectives. We then reach out to potential partners for initial discussion on potential licensing opportunities, often leveraging relationships our team has built over many years in the industry.
- *Assessment of scientific and development feasibility*. For opportunities of interest, our teams work jointly to evaluate the potential drug candidate's overall likelihood of technical success. The assessment includes reviewing available information on the underlying biological rationale, pre-clinical and clinical efficacy and safety data and manufacturability to support the envisioned target product profile. In addition, we develop a detailed clinical development strategy, along with its associated estimated costs, to understand the feasibility and timelines for China registration.
- *Evaluation of commercial potential*. In parallel with the technical assessment, our commercial team conducts primary research to evaluate the critical commercial parameters for the product candidate, including clinical benefit and differentiation compared to alternative treatments that are currently approved or in development, pricing and reimbursement considerations, market exclusivity, and sales and marketing strategy. We pay particularly close attention to opportunities to address diseases with a large patient population but limited available treatments in China. Cost-effectiveness and ease-of-use are also important considerations.

- *Deal proposal and contract negotiation*. Based on the results of cross-departmental assessment, our business development team, with the support of senior management, generates a deal proposal driven by the commercial potential and probability of technical success of the licensing candidate. Our team then works together with our potential collaborator to address any outstanding business issues and negotiate a final agreement.

Alliance Management with Our Global Partners

Our alliance management efforts are integrated within our business development team to enable a smooth transition after deal execution. After we enter into a new collaboration, our alliance management team works closely with both our global partner and our clinical development team to enable a smooth and high-functioning relationship. Although the focus or our clinical development efforts is in Asia, we believe that having our alliance management team located close to our partners in the United States and Europe helps to overcome some of the logistical complexity of working across many time-zones to manage global clinical development programs.

We believe that the performance or our business development and alliance management teams, along with our demonstrated clinical development execution capabilities to date has helped us to establish a reputation as a respected and reliable partner and convinced many reputable global partners to select us from many China-based companies.

Clinical Development

We are dedicated to building a pipeline of potentially first-in-class or best-in-class therapies. and believe successful clinical development execution is critical to our future growth and our ability to remain competitive in the global biopharmaceutical market.

Our clinical development programs typically follow one of two models: (1) joining global registrational trials, or (2) performing local/regional registrational trials. The appropriate model is selected for each individual product candidate and each approach has potential pros and cons. Joining global registrational trials requires having a highly experienced clinical development team, but can have significant advantages, including a lower patient enrollment in our territory (typically in the range of 15-20% of the entire trial population) and the ability to use the full trial data set for approval. This approach reduces our development cost and shortens the time required for enrollment, compared to the time and cost of a similarly powered regional study. Participation in a global study can also help to achieve simultaneous global regulatory submission which is highly encouraged by NMPA. In some cases, we decide to run a regional study when we are able to leverage existing clinical data and utilize a bridging study for regional registration, or if a different indication or clinical design is optimal for our commercial market relative to our partner. We use our clinical and regulatory teams' deep expertise to design the optimal development plan for each asset prior to entering into a partnership and thereafter work seamlessly with the partner to achieve the most efficient development in our territory, from both cost and timeline perspective. We believe that the global experience and local expertise of our clinical development team are the key for us to achieve these efficiencies.

For the four programs for which we are currently conducting registration trials, two join global phase 3 registrational trials sponsored by our partners and two use Everest sponsored regional trials in mainland China or in mainland China, Taiwan and South Korea.

Clinical Development of Core Drug Candidates

Since obtaining the IND approval from the NMPA for our Core Drug Candidates, our senior management has led an internal team with extensive clinical development experience and worked with

industry-leading CROs to carry out the following activities for the ongoing and planned clinical trials of the Core Drug Candidates: (i) clinical development plan formulation by taking into consideration both the scientific rationale (e.g., mechanism of action, pre-clinical data, available clinical data, and development opportunity assessment) and market value assessment (e.g., addressable patient population evaluation, product positioning analysis, and competitive landscape consideration), (ii) design of trial protocol, including study objectives and endpoints, study population (target indication and inclusion/exclusion criteria), sample size, study duration, randomization schedule, and statistical analysis plan, (iii) trial preparation, including the selection and initiation of study sites and clinical laboratory, (iv) patient recruitment, including obtaining informed consent and carrying out patient evaluation based on study design, and (v) monitoring of the study to ensure compliance with GCP. The clinical development programs of the Core Drug Candidates are led by program leaders with extensive clinical development experience and knowledge, who formulate the clinical development plan, design the trial protocol, oversee the trial execution and prepare the regulatory filing, all with support from the other experienced team members.

Our internal clinical development team has performed core functions such as designing clinical development strategy and protocol in-house and exercising control and oversight over key components of clinical trial management. For example, during trial preparation, we (i) reviewed and approved trial-related documentation, including medical data review plan, statistical analysis plan and analysis specifications, data management plan, clinical monitoring plan, investigational drug supply and management plan, and ethical committee (EC) and Human Genetics Resources Administration of China (HGRAC) submission dossier; (ii) evaluated and recommended the nominated principal investor, provided a list of potential sites, supervised site selection, and EC and HGRAC submission; and (iii) ensured that all study preparation was ready prior to first patient first dose. During patient recruitment, we oversaw and reviewed patient eligibility based on clinical trial protocol and oversaw vendors' on-site work initiation, progress tracking, patient flow analysis and site visits.

By contrast, CROs were not involved in critical tasks including clinical development plan formulation or trial protocol design and focused on more procedural work. For example, during trial preparation, CROs prepared trial related generic documentation, conducted site selection, and submitted EC and HGRAC dossier. During patient recruitment, CROs reviewed patient eligibility based on clinical trial protocol, conducted on-site monitoring visit and ensured patient consent is obtained, and reviewed and commented on data entered. During patient follow up visits, CROs conducted site monitoring and provided written report on study execution, reviewed patient information in database based on study protocol, reviewed and queried the data entered, organized SMC or iDMC meetings according to protocol to review data periodically, and processed and reported safety cases collected during study period. During data reporting, CROs cleansed queries for data entered in database, reviewed patient information in database based on study protocol, reviewed and queried data entered, and generated trial data set according to our requirements. With close supervision and control, we have worked with leading CROs on day-to-day clinical activities to ensure effective and seamless execution to allow flexibility to scale up and achieve operating efficiency.

Operationally, our clinical development team manages all of the key aspects of our trials, including clinical trial design, implementation, the collection and analysis of trial data, and regulatory submission and communications. Our clinical development team is composed of functions including medical science, clinical operation, regulatory, and data management and statistics, and are headed by three Chief Medical Officers, each covering one of our core therapeutic areas. As of 30 June 2020, our clinical development team consisted of 62 members, approximately 16% of whom hold an M.D. degree or a Ph.D. degree. Most of the team has clinical development experience in multinational companies, where they have gained rich experience in designing and executing global trials as well as

local and regional trials. 12 of our full-time employees were involved in the two PK bridging trials for our Core Drug Candidates. Four of these employees have Ph.D. degrees and the rest of them have either a master's and/or a bachelor's degree. Generally, the expertise and experience of these full-time employees cover areas such as pharmacology, clinical medicine, biostatistics, CMC and supply chain, clinical operation and regulatory affairs.

Clinical science

Our team designs the clinical development plan for each of our assets and trial protocol for each trial using an integrated approach incorporating scientific, clinical and cost/efficiency considerations. We aim to ensure that the project, program and portfolio-related decisions are logical, financially sound, robust and repeatable and that our investments in clinical development activities lead to a solid return on investment.

Clinical operations and regulatory

Our clinical operations team is responsible for the execution of our trials. To quickly build scale and enhance trial efficiency, we work closely with contract research organizations, or CROs, and consultants that help to manage, conduct and support our clinical trials in China and other jurisdictions. We select our CROs weighing various factors, such as their qualifications, academic and professional experience and industry reputation. The CROs provide us with an array of products and services necessary for executing complex clinical trials. Generally, we enter into a research and development contract with a CRO for each project. We supervise these third-party service providers to ensure that they perform their duties in a manner that complies with our protocols and applicable laws and that protects the integrity of the data resulting from our trials and studies.

Our regulatory team manages the regulatory submission process for our drug candidates, which require filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. The regulatory team prepares and manages regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting GLP/GMP readiness assessments for our drug candidates. We possess extensive knowledge and experience with regard to regulatory filings in China. We also collaborate closely, as appropriate, with our global partners to optimize regulatory strategy and leverage their experience in other jurisdictions.

Manufacturing

Our CMC team is primarily responsible for all CMC related activities including process, analytical and formulation development, and preclinical, clinical and commercial supply manufacturing support. As of 30 June 2020, our CMC team has six members, four of whom hold Ph.D. degrees with rich CMC experience in pharmaceutical industry.

Currently, we utilize our partners' global supply chain to provide supply for most of our clinical trials, and we plan to use this supply chain for our initial commercial launch. FGF401 is currently being manufactured and supplied to us by a China-based contract manufacturing organization as Novartis conducted technology transfer of current scale manufacturing processes to EverNov including the participation of this contract manufacturing organization pursuant to the licensing agreement. Other than FGF401, each of our pipeline product is currently supplied to us by the respective licensor. Our partners have invested significant amount of resources to assure their global supply chain to be of global quality and commercial scale. Such global supply chain will enable us to bring some of the most complicated pharmaceutical products in the world, such as an ADC, to China and the Asia Pacific market.

In the mid-term, we believe it is advantageous and beneficial that we have our own GMP commercial manufacturing facility in order to ensure stable and sufficient long term drug supply and to decrease the cost of goods, both aspects are very important for the Chinese market. We entered into a strategic partnership with Jiashan Economic and Technological Development Zone Management Committee (嘉善經濟技術開發區管理委員會) in March 2020, pursuant to which we plan to place our global manufacturing site in Jiashan Economic and Technological Development Zone. Jiashan is an innovation-driven industrial ecosystem where we can leverage efficient local manufacturing and research and development capabilities. Our facility is expected to be designed to comply with the U.S. FDA, the EMA and NMPA standards to meet demands in both China and the global market.

Each of our licensing agreements provides a process for ensuring sufficient commercial scale supplies in our territories, including an obligation by each licensor, under each license agreement, to provide commercial scale supply once each product is approved in the territories covered by each license agreement. We may choose to localize some or all steps in manufacturing for some of our pipeline products if we believe that such efforts could help reduce costs and enhance stability of supply. In particular, we are evaluating different options for the commercial scale manufacturing of eravacycline and sacituzumab govitecan, which include entering into commercial supply agreements with the respective licensors and/or their contract manufacturing organizations, working together to optimize manufacturing process, and localizing some or all manufacturing steps. After the completion of our own GMP commercial manufacturing facility in Jiashan, we may have an additional option to manufacture these drug products by ourselves at our own facility.

The license agreements for each of our pipeline products contain provisions concerning the transfer of manufacturing know-how to us. In some cases, the licensor is required to use only commercially reasonable efforts to transfer such know-how within a certain time period. Further, certain agreements require consent of licensor for the transfer of manufacturing know-how to a third party, certain agreements require that we provide at least twelve months' notice of manufacturing commencement and one agreement requires that the third party manufacturer agree to supply licensor's requirements for relevant products under a direct agreement with licensor.

Commercialization

We have begun to build our internal commercial capabilities. Based on our potentially first-in-class or best-in-class therapies that treat serious diseases, our commercial model will have a strong focus on science-driven medical education and we will concentrate our marketing efforts be on top-tier hospitals. We will explore commercial partnerships for selected assets in China to complement our commercial efforts, in particular for products which would benefit from broader geographic coverage. In international markets, we expect to leverage the resources and expertise of local and regional partners. Importantly, we plan to establish a leading market access team to engage key stakeholders and accelerate patient access to our products in China and other markets.

To support our anticipated commercial launch of multiple products, we have already build a new product planning team and have commenced building a highly experienced and capable commercial team with deep knowledge of sales, marketing and market access with deep expertise in our therapeutic areas of focus.

Competition

Our industry is highly competitive and subject to rapid and significant change, and we face competition from global as well as China-based innovative biopharmaceutical companies. However, we believe we

are very well positioned to bring potentially first-in-class or best-in-class therapies to the China market where the availability of innovative products has lagged behind the United States and Europe. Compared to foreign players, China is our core territory of focus, and we possess significant local market insights, which helps us navigate through the complexity of the Chinese pharmaceutical market and regulatory environment. There are few China-based innovative biopharmaceutical companies, especially companies with our broad late-stage innovative pipeline and therapeutic area of focus across oncology, immunology, cardio-renal and infectious disease.

Many of our competitors have strong financial, technical and human resource. We believe we have had relatively strong access to capital since the inception of our Company. Unlike traditional biotech and pharmaceutical companies, we have created a highly entrepreneurial culture with three therapeutic areas based operating subsidiaries, which helps us stay nimble while building a highly scalable platform.

We have assembled a senior management team with an extensive track record of successfully developing and commercializing innovative therapies in China and globally, which we believe could lead us to capture the significant market opportunities in China. Our commercial opportunity could be reduced or eliminated if our competitors develop or market products or other novel therapies that are more effective, safer or less costly than our current or future drug candidates, or obtain regulatory approval for their products more rapidly than we may obtain approval for our drug candidates.

For additional information, please refer to the "Market Opportunity in China" description under each of our drug candidates.

Intellectual Property

All intellectual property rights in relation to our pipeline products were exclusively licensed to us by the respective licensing partner. Our commercial success depends in part on our ability to obtain and maintain proprietary or intellectual property protection for our drug candidates and our core technologies and other know-how to operate without infringing, misappropriating or otherwise violating on the proprietary rights of others and to prevent others from infringing, misappropriating or otherwise violating our proprietary or intellectual property rights. We expect that we will seek to protect our proprietary and intellectual property position by, among other methods, licensing or filing our own U.S., international and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position, which we generally seek to protect through contractual obligations with third parties. Our Company was not involved in any intellectual property infringement claims or proceedings during the Track Record Period and up to the Latest Practicable Date.

We licensed or sublicensed rights to each of our eight drug candidates from biopharmaceutical companies based in the United States and Europe. As of 30 June 2020, we have obtained licenses covering over 170 patents and pending patent applications in the geographic areas we cover:

Eravacycline (Xerava)

We are exclusively licensed with five issued patents in the PRC, among which one issued patent covers eravacycline's specific compound and pharmaceutical composition containing the same and the other four issued patents cover other general compounds of eravacycline analogs. The specific compound patent will expire in 2029.

We are exclusively licensed with five issued patents in Hong Kong directed to compound and pharmaceutical composition, among which two issued patents cover eravacycline's genus and specific compound and pharmaceutical composition containing the same and the other three issued patents cover other general compounds of eravacycline analogs. These five issued patents in Hong Kong will expire between 2025 and 2029. We are exclusively licensed with three issued patents in Taiwan directed to compound and pharmaceutical composition. These three issued patents in Taiwan will expire in 2029. We are exclusively licensed with five issued patents in South Korea directed to compound and pharmaceutical composition, among which two issued patents cover eravacycline's genus and specific compound and pharmaceutical composition containing the same and the other three issued patents cover other general compounds of eravacycline analogs. These five issued patents in South Korea will expire between 2025 and 2029.

Though we are granted with the exclusive license of the licensor's patent rights covering eravacycline in Greater China, South Korea and Singapore, since we are not aware of the licensor's prosecution of any such patent in Macau, currently we do not believe that we have any licensed patent rights for eravacycline in Macau. In addition, we do not own or have any exclusive license to any patents or patent applications in any jurisdictions outside of Greater China, South Korea and Singapore for eravacycline.

Etrasimod

We are exclusively licensed with two issued patents and two corresponding divisional application/ issued patent in the PRC. One issued patent and its divisional patent are directed to etrasimod's compound, crystal form, use thereof, pharmaceutical composition and will expire in 2029, and the other is directed to etrasimod's preparation process and will expire in 2031. We are also exclusively licensed with two pending patent applications in the PRC directed to method for treatment of disease and crystal forms. If these patent applications are granted, both are projected to expire in 2036. There are no patent term adjustments or patent term extensions available for issued patents in the PRC.

We are exclusively licensed with one issued patent in each of South Korea, Hong Kong and Macau covering etrasimod's compound, use thereof and pharmaceutical composition. These patents will expire in 2029 in each of South Korea, Hong Kong and Macau. We are also exclusively licensed with three pending patent applications in South Korea directed to method for treatment of disease and crystal form and three pending patent applications in Hong Kong directed to preparation process, method for treatment of disease and crystal form.

Though we are granted with the exclusive license of the licensor's patent rights covering etrasimod in Greater China and South Korea, since we are not aware of the licensor's prosecution of any such patent in Taiwan, currently we do not believe that we have any licensed patent rights for etrasimod in Taiwan. In addition, we currently do not own or have any exclusive license to any patents or patent applications in any jurisdictions outside of Greater China and South Korea for etrasimod.

Sacituzumab Govitecan (Trodelvy)

We are exclusively licensed with three issued patents in the PRC directed to sacituzumab govitecan's antibody and antibody-CL2A-SN-38 formula. These three issued patents in the PRC will expire between 2023 and 2029. CN100360567C and CN101264325B will expire in 2023. The expiration of these two patents in 2023 will not have any material impact to the exclusivity of Trodelvy in the PRC as CN102448494B is the substance patent covering the antibody-drug conjugate, which will expire in 2029. We are exclusively licensed with twelve pending patent applications in China directed to

preparation process, combination with inhibitors and method for treatment of disease. If these patent applications in China are granted, such patents are projected to expire between 2033 and 2038.

We are exclusively licensed with two issued patents in Hong Kong directed to sacituzumab govitecan's antibody. These two issued patents in Hong Kong will expire in 2023. We are exclusively licensed with one issued patent in South Korea directed to sacituzumab govitecan's antibody. This issued patent in South Korea will expire in 2023. We are also exclusively licensed with two pending patent applications in South Korea and one pending patent application in Singapore directed to method for treatment of disease and preparation process.

Though we are granted with the exclusive license of the licensor's patent rights covering sacituzumab govitecan in Greater China, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam, Philippines and Mongolia, since we are not aware of the licensor's prosecution of any patent in Macau, Taiwan, Malaysia, Thailand, Indonesia, Vietnam, Philippines and Mongolia, currently we do not believe that we have any licensed patent rights for sacituzumab govitecan in such regions and countries. In addition, we do not own or have any exclusive license to any patents or patent applications for sacituzumab govitecan in any jurisdiction outside of Greater China, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam, Philippines and Mongolia.

Nefecon

We are exclusively licensed with one issued patent in the PRC directed to Nefecon's composition comprising a sustained release component. This patent in the PRC will expire in 2029.

We are also exclusively licensed with one issued patent in Hong Kong directed to Nefecon's composition comprising a sustained release component. This issued patent in Hong Kong will expire in 2029.

Though we are granted with the exclusive license of the licensor's patent rights covering Nefecon in Greater China and Singapore, since we are not aware of the licensor's prosecution of any patent in Macau, Taiwan and Singapore, currently we do not believe that we have any licensed patent rights for Nefecon in such regions and country. In addition, we do not own or have any exclusive license to any patents or patent applications for Nefecon in any jurisdiction outside of Greater China and Singapore.

Ralinepag

We are exclusively licensed with two issued patents and one pending divisional applications in the PRC directed to ralinepag's compound, crystal form, pharmaceutical composition, the use for treating disease and preparation process. These two issued patents will expire in 2029. We are also exclusively licensed with three pending patent applications in the PRC directed to method for treatment of disease and pharmaceutical composition. If these patent applications are granted, the patents are projected to expire between 2035 and 2039.

We are also exclusively licensed with one issued patent in each of South Korea, Hong Kong and Macau, one pending application in South Korea and one pending application in Hong Kong covering ralinepag's compound, crystal form, pharmaceutical composition, the use for treating disease and preparation process. These issued patents will expire in 2029 in each of South Korea, Hong Kong and Macau. We are also exclusively licensed with three pending patent application in South Korea directed to method for treatment of disease and pharmaceutical composition and one pending patent application in Hong Kong directed to method for treatment of disease.

Though we are granted with the exclusive license of the licensor's patent rights covering ralinepag in Greater China and South Korea, since we are not aware of the licensor's prosecution of any such patent in Taiwan, currently we do not believe that we have any licensed patent rights for ralinepag in Taiwan. In addition, we currently do not own or have any exclusive license to any patents or patent applications in any jurisdictions outside of Greater China and South Korea for ralinepag.

Taniborbactam

We are exclusively licensed with one issued patent in the PRC directed to taniborbactam's genus and specific compound. This issued patent in the PRC will expire in 2033. We are also exclusively licensed with one pending patent application in the PRC directed to taniborbactam's pharmaceutical composition, crystal form and method for treatment of disease, which is projected to expire in 2038.

We are exclusively licensed with one issued patent in each of Hong Kong and Macau directed to taniborbactam's compound. These issued patents will expire in 2033 in Hong Kong and Macau. We are also exclusively licensed with one pending patent application in South Korea directed to taniborbactam's compound. We are exclusively licensed with one pending patent application in each of South Korea, Philippines and Singapore directed to taniborbactam's pharmaceutical composition, crystal form and method for treatment of disease.

Though we are granted with the exclusive license of the licensor's patent rights covering taniborbactam in Greater China, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines, currently we do not have any published licensed patents or patent applications for taniborbactam in Indonesia, Malaysia, Thailand, Vietnam and Taiwan, even though we are aware of the existence of licensor's patent prosecution activities in such region and countries except for Taiwan. In addition, we do not own or have any exclusive license to any patents or patent applications for taniborbactam in any jurisdiction outside of Greater China, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines.

SPR206

We are exclusively licensed with two pending patent applications in the PRC directed to SPR206's genus compound. If these two patent applications in the PRC are granted, the patents are projected to expire in 2034 and 2035.

We are also exclusively licensed with one issued patent in Taiwan directed to SPR206's genus compound. This issued patent in Taiwan will expire in 2034. We are also exclusively licensed with two pending patent applications in Hong Kong, two pending patent applications in South Korea and one pending patent application in Taiwan, all directed to genus compound. We are also exclusively licensed with one pending patent application in Taiwan directed to SPR206's specific compound.

Though we are granted with the exclusive license of the licensor's patent rights covering SPR206 in Greater China, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines, since we are not aware of the licensor's prosecution of any patent in Singapore, Macau, Malaysia, Thailand, Indonesia, Vietnam and Philippines, currently we do not believe that we have any licensed patent rights for SPR206 in such region and countries. In addition, we do not own or have any exclusive license to any patents or patent applications for SPR206 in any jurisdiction outside of Greater China, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines.

FGF401

We are exclusively licensed with one issued patent in the PRC directed to FGF401's compound, pharmaceutical composition, combination therapy. This issued patent will expire in 2034. We are also exclusively licensed with two pending patent applications in the PRC, one is directed to preparation process of making citric acid salt of compound free base and citric salt form and the other is directed to combo of compound with bile acid sequestrants. If these two patent applications are granted, they are projected to expire in 2036 and 2037.

In addition to the abovementioned patent rights in the PRC, we are exclusively licensed with: (i) a PCT international application directed to FGF401's compound, pharmaceutical composition and combination therapy, with 45 applications filed in 36 countries and regions including major markets such as the United States, Europe, Japan, (ii) a PCT international application directed to FGF401's compound, with 6 applications filed in the United States, Europe and Japan, (iii) a PCT international application directed to FGF401's process of making citric acid salt of compound free base, citric salt form and pharmaceutical composition thereof, with 12 applications filed in 12 countries or regions including major markets such as the United States, Europe and Japan and (iv) a PCT international application directed to FGF401's combo of compound with bile acid sequestrants, with 12 applications filed in 12 countries or regions including major markets such as the United States, Europe and Japan.

Though we are granted with the exclusive license of the licensor's worldwide patent rights covering FGF401, currently the global patent estate we own is as described above.

We performed due diligence on their intellectual property rights before entering into a license agreement with them, but we cannot guarantee that their rights will not be challenged or that they will provide meaningful exclusivity or otherwise enable us to exploit the licensed drug candidates will survive a challenge to their intellectual property rights. See "Risk Factors—Risks Related to Our Market Exclusivity—Our owned and in-licensed patents and patent applications may be subject to priority disputes or to inventorship disputes and similar proceedings. If we or our licensors are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to cease the development, manufacture and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business." We currently do not have any material patents or pending patent applications that we own.

For additional information about our licenses, please refer to "—Overview of Our License Agreements."

The term of a patent depends upon the laws of the country in which it is issued. Generally, a patent term is 20 years from the earliest filing date of a non-provisional patent application. Under the PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to inventions are effective for 20 years, and utility models and designs are effective for 10 years from the date of application. There are no patent term adjustments or patent term extensions available in the PRC for issued patents.

We conduct our business mainly under the brand name of "Everest Medicines" (雲頂新耀). As of 30 June 2020, we have registered 14 trademarks in China and 25 pending trademark applications in China, 6 pending trademark applications in USA and over 70 trademark application filings covering various classes in Hong Kong, Macao, Taiwan, South Korea, Singapore, Indonesia, Malaysia, Philippines, Thailand, Vietnam, and one registered trademark in Singapore for Xerava, which was approved in June 2020. We have one domain name, which is *www.everestmedicines.com*.

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

See Appendix IV—"Statutory and General Information—Further Information about Our Business—Intellectual Property Rights" to this document for further information.

Employees

We recruit our employees primarily through headhunters and internal referrals. As of 30 June 2020, we employed a total of 117 full-time employees, 105 based in China, 10 based in the United States, one based in France and one based in Singapore, including a total of 19 employees with a Ph.D. degree or an M.D. degree.

The following table sets forth a breakdown of our employees by function as of 30 June 2020:

Function	Number	% of Total
Clinical Development	62	53
Business Development	6	5
Commercialization	10	9
Operations and Administrative	39	33
Total	117	100

Employment Agreements with Key Management and Research Staff

We enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for one year after the termination of his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. For further details regarding the terms of confidentiality and employment agreements with our key management, please refer to the section headed "Directors and Senior Management" in this document.

None of our Company or any of our subsidiaries have any labor union. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations.

Recruitment, Training and Development

We recruit our employees based on their qualification and potential. We provide new employee training to our employees and periodic on-the-job training to enhance the skills and knowledge of our employees.

Employee Benefits

The remuneration package of our employees includes salary, benefits and bonus. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. We are required under Chinese law

to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

Land and Properties

We have offices in Beijing, Shanghai, New York, Boston, San Diego, Hong Kong and Singapore. Our business development team is based in the United States and our clinical development team in China.

We currently do not own any properties. We leased and occupied approximately 1,550 square meters of office space in China and 5,793 square feet of office space in the United States as of 30 June 2020. The relevant lease agreements have lease expiration dates ranging from October 2020 to June 2025.

Pursuant to our strategic partnership agreement with Jiashan Economic and Technological Development Zone Management Committee (嘉善經濟技術開發區管理委員會), we intend to build our global GMP/GSP facilities in Jiashan Economic and Technological Development Zone in 2020 and expect to complete the phase I construction by 2023. The phase II construction is currently expected to start in 2023 and complete in 2026. These facilities will be designed to comply with the U.S. FDA and the EMA standards.

Insurance

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our insurance policies cover adverse events in our clinical trials, including eravacycline and etrasimod. We do not maintain property loss insurance, product liability insurance or key-person insurance. See also "Risk Factors-We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources."

Customer

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from product sales before the commercialization of one or more of our drug candidates.

Suppliers

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

For the two years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, our purchases from our five largest suppliers in the aggregate accounted for 29.7%, 46.0% and 64.6% of our total purchases, respectively, and purchases from our largest supplier alone accounted for 7.2%, 20.4% and 22.7% of our total purchases, respectively. To the best of our knowledge, all of our five largest suppliers during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

In addition, we believe that adequate alternative sources for such supplies exist and we have developed alternative sourcing strategies for these supplies. We will establish necessary relationships with alternative sources based on supply continuity risk assessment. Other than the agreements with certain CROs, we order supplies and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

Quality Management System

We have established an independent quality management system and devote significant attention to quality control and assurance for the clinical development, manufacturing and testing of our drug candidates. Our quality management team monitors and drives our quality performance, allocates sufficient resources to implement the quality management system and sets the quality governance mechanism.

The primary responsibilities of our quality management team include the following:

- establishing a robust quality management system for our line functions to ensure that all our GxP activities conform with global and local regulatory requirements;
- adopting and implementing audit plans for investigator site audits, system audits and vendor audits to ensure our compliance with applicable regulatory requirements;
- maintaining quality control policy and standard operating procedures and coordinating and performing risk evaluations for our Company and individual projects to ensure adequate quality metrics and timely reporting to our senior management team;
- maintaining our vendor management system, which includes establishing appropriate processes for the assessment of GxP vendors, monitoring their performance, reviewing and approving quality agreements and other duties; and
- ensuring patient safety and well-being during our clinical trials and the credibility of our clinical trial data.

The quality team is led by Dr. Luke Liu, the senior vice president of Quality, who reports directly to the chief executive officer.

Legal Proceedings and Compliance

We are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Social, Health, Work Safety and Environmental Matters

In respect of social responsibilities, we have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees and communities. In light of the COVID-19 outbreak, we have endeavored to provide a safe work environment by implementing company-wide self-protection policies for employees to either work remotely or on-site with protective masks and sanitization. For more details related to the impact of COVID-19 outbreak on our business, see "Appendix I—II Notes To The Historical Financial Information—Subsequent Event—Impact of COVID-19." We have not had any significant workplace accidents in the history of our Company.

Upon the completion of our GMP/GSP manufacturing facilities, we will implement company-wide environmental, health and safety (EHS) policies and operating procedures that include management

systems and procedures relating to emissions of air, water and other media, handling, use, storage, treatment and disposal of hazardous substances, third party safety management, product stewardship, waste treatment, process safety management, worker health and safety requirements and emergency planning and response. We will establish an EHS department responsible for monitoring and enforcing the compliance of our operations with environment, health and safety laws and regulations. Certain specialized areas of the responsibility will be assigned to teams comprised of subject-matter experts with the relevant expertise and experience. For instance, biosafety subject matter experts will be responsible for biosafety training, compliance of our operations with biosafety-related legal requirements, biosafety risk assessment and review of corrective actions and preventative actions that we will take upon the occurrence of any biosafety emergency.

Permits, Licenses and Other Approvals

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations.

The following table sets out a list of material licenses currently held by us.

Company Name	Qualification	Status
Everest China	Business license	Effective until April 2070
Everest Medicines (Suzhou) Inc.	Business license	Effective until October 2067
EverID Medicines (Beijing) Limited	Business license	Effective until March 2048
Everstar Medicines (Shanghai) Limited	Business license	Effective until April 2048
EverNov Medicines (Zhuhai Hengqin) Co., Ltd.	Business license	Long-term effective

Risk Management and Internal Control

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global pharmaceutical markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other pharmaceutical companies. See "Risk Factors" for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See "Financial Information—Quantitative and Qualitative Disclosure about Market Risk" for a discussion of these market risks.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee, and ultimately our Directors, supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control:

- Our executive committee which is comprised of senior management and functional heads will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring

the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

- Our chief operating officer, Mr. Xiaofan Zhang, will be responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our executive committee on our material risks.
- The relevant departments in our Company, including but not limited to the finance department, the legal department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. See "Directors and senior management" for details of their qualification and experiences.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In preparation for the Listing, The Group engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in May 2020 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Joint Sponsors and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including procurement accounts payable and payment, R&D management, fixed assets management, human resources and payroll management, intellectual property management, intangible assets, cash and treasury management, insurance management, financial reporting and disclosure controls, tax management, and general controls of information technology.

The Internal Control Consultant conducted follow-up reviews in July 2020 and September 2020 (the "**Follow-up Review**") to review the status of the management actions taken by the Group to address the findings of the Internal Control Review. The Internal Control Consultant did not have any further recommendation in the Follow-up Review other than that some of the Group's policies were published in early July 2020 and September 2020, and no samples were available during the Follow-up Review for the Internal Control Consultant to conduct testing procedures.

The Internal Control Review and the Follow-up Review were conducted based on information provided by the Group, and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Given our implementation of enhanced measures and the results of the Follow-up Review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement before the Listing:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as contract management policy, risk management and protection of intellectual property. For more information, see "—Intellectual Property." We provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit team conducts audit field work to monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.
- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, will also periodically review our compliance status with all relevant laws and regulations after the Listing.
- We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.
- We have engaged Somerley Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the sections entitled "Future Plans and Use of Proceeds" in this document after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.
- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT IN THE PRC

The establishment, operation and management of corporate entities in China are governed by the Company Law of PRC (《中華人民共和國公司法》, the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**NPC**") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council in February 2002 and came into effect in April 2002, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)(2020年版)》, the "**Negative List**"), which was promulgated by the Ministry of Commerce (the "**MOFCOM**") and National Development and Reform Commission (the "**NDRC**") in June 2020 and came into effect in July 2020. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") was promulgated by the NPC in March 2019 and came into effect in January 2020. After the Foreign Investment Law came into effect, the Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as "foreign investors") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law, including: 1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; 2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; 3) investing by foreign investors in new projects in China alone or jointly with other investors; and 4) other forms of investment prescribed by laws, administrative regulations or the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

In December 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告

辦法》), which came into effect in January 2020. After the Measures on Reporting of Foreign Investment Information came into effect, the Interim Measures for the Administration of Filing for Establishment and Changes in Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) have been repealed simultaneously. Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities according to the Measure on Reporting of Foreign Investment Information.

REGULATIONS ON PHARMACEUTICAL PRODUCT DEVELOPMENT, APPROVAL AND REGISTRATION IN THE PRC

Drug Regulatory Regime

The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**") was promulgated by the Standing Committee of the NPC, in September 1984. The last two amendments to the Drug Administration Law were the amendment promulgated in April 2015 and in August 2019. The Regulations for the Implementation of the Drug Administration Law (《藥品管理法實施條例》) was promulgated by the State Council in August 2002, and was last amended in March 2019. The Drug Administration Law and the Regulations for the Implementation of the Drug Administration Law have jointly established the legal framework for the administration of pharmaceutical products in China, including the research, development and manufacturing of drugs. The Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products, which regulates and provides for a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies and medicinal preparations of medical institutions, and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products. The Regulations for the Implementation of the Drug Administration Law, at the same time, provide the detailed implementation regulations for the Drug Administration Law.

In 2017, the drug regulatory system entered a new and significant period of reform. The General Office of the State Council and the General Office of the Central Committee of the Communist Party of China jointly issued an 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》) (the "**Innovation Opinions**") in October 2017. The expedited programs, the record-filing system, the prioritized review mechanism, the acceptance of foreign clinical data under the Innovation Opinions and other recent reforms encourage drug manufacturers to seek marketing approval in China first in order to develop drugs in highly prioritized therapeutical areas, such as oncology or rare disease areas.

To implement the regulatory reform introduced by Innovation Opinions, the Standing Committee of the NPC, the National Medical Products Administration (the "**NMPA**"), a newly formed government authority as well as other authorities, are currently responsible for revising the laws, regulations and rules regulating the pharmaceutical products and the industry.

In August 2019, the Standing Committee of the NPC promulgated the new Drug Administration Law (the "**2019 Amendment**"), which came into effect in December 2019. The 2019 Amendment contains many of the major reform initiatives implemented by the Chinese government since 2015, including but not limited to the marketing authorization holder system (the "**MAH System**"), conditional approvals of drugs, traceability system of drugs, and the cancelation of relevant certification according to the Good Manufacturing Practice and the Good Supply Practice.

Regulatory Authorities

Pharmaceutical products, medical devices and equipment in China are monitored and supervised on a national scale by the NMPA. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The NMPA was newly formed under the SAMR. The NMPA's predecessor, the State Drug Administration (the "**SDA**"), was replaced by the State Food and Drug Administration (the "**SFDA**"), which was later reorganized into the China Food and Drug Administration (the "**CFDA**") as part of the institutional reforms implemented by the State Council.

The primary responsibilities of the NMPA include:

- monitoring and supervising the administration of pharmaceutical products, medical appliances and equipment as well as cosmetics in the PRC;
- formulating administrative rules and policies concerning the supervision and administration of the pharmaceutical, medical devices and cosmetics industry;
- evaluating, registering and approving of traditional Chinese medicine, chemical drugs and biological products;
- approving and issuing permits for the manufacture and export/import of pharmaceutical products, medical appliances and equipment;
- approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products;
- examining and evaluating the safety of pharmaceutical products, medical devices and cosmetics; and
- managing the significant accidents involving the pharmaceutical products, medical devices and cosmetics.

In 2013, the Ministry of Health (the "**MOH**") and the National Population and Family Planning Commission were integrated into the National Health and Family Planning Commission of the PRC (the "**NHFPC**"). In March 2018, the First Session of the Thirteenth NPC approved the State Council Institutional Reform Proposal (《國務院機構改革方案》), according to which, the responsibilities of NHFPC and certain other governmental authorities are consolidated into the National Health Commission (the "**NHC**"), and the NHFPC shall no longer be reserved. The responsibilities of the NHC include organizing the formulation of national drug policies, the national essential drug system and the National Essential Drug List and drafting the administrative rules for the procurement, distribution and use of national essential drugs.

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》), promulgated by the CFDA in March 2017 and came into effect in May 2017, the approval of clinical trial application should be issued by the Center for Drug Evaluation (the "**CDE**") in the name of the CFDA.

Regulations on the Clinical Trials and Registration of Drugs

Administrative Measures for Drug Registration

The Administrative Measures for Drug Registration (《藥品註冊管理辦法》) ("**Registration Measures**") was promulgated by SFDA in July 2007 and then amended by the SAMR in January

2020, which became effective in July 2020. The Registration Measures mainly cover: (1) definitions of drug marketing registration applications and regulatory responsibilities of the drug administration; (2) general requirements for drug marketing registration; (3) clinical trials; (4) application, examination and approval of drugs; (5) supplemental applications and re-registrations of drugs; (6) inspections; (7) registration standards and specifications; (8) time limit; (9) associated review of drugs, excipients and packaging materials; (10) expedited registration of drugs; and (11) liabilities and other supplementary provisions.

According to the Registration Measures, drug marketing registration applications shall be subject to three categories, namely traditional Chinese drugs, chemical drugs and biological products. Among them, the registration applications of chemical drugs shall be categorized by innovative chemical drugs, improved new chemical drugs, generic chemical drugs, etc.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), which aims to reclass the registration application of chemical drugs stipulated by the Registration Measures promulgated in 2007. According to the Reform Plan for Registration Category of Chemical Medicine, 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.

As a support policy and implementing rule of the Registration Measures newly amended in 2020, the NMPA issued the Chemical Drug Registration Classification and Application Data Requirements (《化學藥品註冊分類及申報資料要求》) in June 2020, effective in July 2020, which 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.

Accelerated Approval for Clinical Trial and Registration

The CFDA released the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》) in November 2015, which clarified the measures and policies regarding simplifying and accelerating the approval process of clinical trials, including but not limited to an one-time umbrella approval procedure allowing the overall approval of all phases of a drug's clinical trials, replacing the phase-by-phase application and approval procedure, will be adopted for drugs' clinical trial applications.

The Innovation Opinions established a framework for reforming the evaluation and approval system for drugs, medical devices and equipment. The Innovation Opinions indicated enhancing the standard of approval for drug marketing registration and accelerating the evaluation and approval process for innovative drugs as well as improving the approval of drug clinical trials.

The CFDA promulgated the Opinions on Encouraging the Priority Review and Approval for Drug Innovations (《關於鼓勵藥品創新實行優先審評審批的意見》) in December 2017, which further clarified that a fast track clinical trial approval or drug marketing registration pathway will be available

to innovative drugs. Particularly, concurrent applications for new drug clinical trials which are already approved in the United States or the European Union are also eligible for fast track clinical trial approval.

According to the Announcement on Matters Concerning the Optimization of Drug Registration Review and 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 NHC in May 2018, the CDE will prioritize the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of fast track clinical trial approval.

The Registration Measures has incorporated the previous reform in respect of the accelerated approval for clinical trial and drug marketing registration and introduces four procedures for expedited marketing registration of drugs, which are procedures for ground-breaking therapeutic drugs, procedures for conditional approval, procedures for prioritized reviews and approval, and procedures for special examination and approval:

- Procedures for ground-breaking therapeutic drugs: during the drug clinical trials, for an innovative drug or improved new drug used for prevention and treatment of life-threatening illnesses or illnesses which have a serious impact on quality of life and for which there is no other effective prevention and treatment method or there is adequate evidence to prove that the said innovative drug or improved new drug has obvious clinical advantages over existing treatment approach, the applicant may request for application of procedures for ground-breaking therapeutic drugs.
- Procedures for conditional approval: during the drug clinical trials, for drugs which fall under the following circumstances, an application for conditional approval of marketing registration may be submitted (i) for drugs for treatment of life-threatening illnesses for which there is no effective treatment approach, the clinical trial of drugs already has data to prove efficacy and is able to forecast the clinical value; (ii) for drugs urgently needed for public health, the clinical trial of drugs already has data to prove efficacy and is able to forecast the clinical value; and (iii) for other vaccines urgently needed for major public health emergencies or deemed by the NHC to be urgently needed, its benefits outweigh the risks according to the evaluation.
- Procedures for prioritized reviews and approval: at the time of the drug marketing registration, drugs have obvious clinical value may apply for application of procedures for prioritized review and approval, including (i) clinically and urgently needed but insufficient drug, innovative drugs and improved new drugs for prevention and treatment of major contagious diseases and rare diseases; (ii) new pharmaceutical product types, dosage form and specifications of pediatric drugs which comply with pediatric physiological characteristics; (iii) vaccines and innovative vaccines urgently needed for prevention and control of diseases; (iv) drug included in the procedures for ground-breaking therapeutic drug; (v) drug which comply with conditional approval criteria; and (vi) other circumstances of prioritized review stipulated by the NMPA.
- Procedures for special examination and approval: at the time of a threat or occurrence of public health emergency, the NMPA may, in accordance with law, decide to implement special examination and approval for urgently needed drug required for the prevention and treatment during the public health emergency. Drug included in the special examination and approval procedures may, based on special needs of disease prevention and control, be restricted for use within a certain period and scope.

Trial Exemptions and Acceptance of Foreign Data

The NMPA issued the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data (《接受藥品境外臨床試驗數據的技術指導原則》) in July 2018, as one of the implementing rules for the

Innovation Opinions, which provides that overseas clinical data can be submitted for the drug marketing registration applications in China. Such applications can be in the form of waivers to China-based clinical trials, bridging trials and direct drug marketing registration. According to the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data, sponsors may use the data of foreign clinical trials to support drug marketing registration in China, provided that sponsors must ensure the authenticity, integrity, accuracy and traceability of foreign clinical trial data and such data must be obtained consistent with the relevant requirements under the Good Clinical Trial Practice of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (the "**ICH**"). Moreover, sponsors shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system requirements, and the accuracy and integrity of statistical analysis of data. 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 sponsors may, prior to implementing pivotal clinical trials, contact the CDE to ensure the compliance of pivotal clinical trials' design with the essential technical requirements for drug registration in China. Sponsors must also comply with other relevant sections of the Registration Measures when applying for drug marketing registrations in China using foreign clinical trial data.

The NMPA now officially permits, and its predecessor agencies have permitted on a case-by-case basis in the past, drugs approved outside of China to be approved in China on a conditional basis without pre-approval clinical trials being conducted in China. Specifically, the NMPA and the NHC released the Procedures for Reviewing and Approval of Clinical Urgently Needed Overseas New Drugs (《關於臨床急需境外新藥審評審批相關事宜的公告》) in October 2018, permitting drugs that have been approved within the last ten years in the United States, the European Union or Japan and that prevent or treat orphan diseases or prevent, or treat serious life-threatening illnesses for which there is either no effective therapy in China, or for which the foreign-approved drug would have clear clinical advantages. Applicants will be required to establish a risk mitigation plan and may be required to complete trials in China after the drug has been marketed. The CDE has developed a list of qualifying drugs that meet the foregoing criteria.

Drug Clinical Trial Application

According to the Registration Measures, after the completion of the pharmaceutical, pharmacological and toxicological research of the drug clinical trial, the applicant may submit relevant research materials to CDE for applying for the approval to conduct drug clinical trial. The CDE will organize pharmaceutical, medical and other technicians to review the application and to decide whether to approve the drug clinical trial within 60 days of the date of acceptance of the application. Once the decision is made, the result will be notified to the applicant through the website of the CDE and if no notice of decision is issued within the aforementioned time limit, the application of clinical trial shall be deemed as approval. The Registration Measures further requires that the applicant shall, prior to conducting the drug clinical trial, register the information of the drug clinical trial plan, etc. on the Drug Clinical Trial Information Platform. During the drug clinical trials, the applicant shall update registration information continuously, and register information of the outcome of the drug clinical trial upon completion. The applicant shall be responsible for the authenticity of the drug clinical trial information published on the platform. Pursuant to the Notice on the Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》) promulgated by SFDA in September 2013, the applicant shall complete the trial pre-registration within one month after obtaining the approval of the clinical trial application in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrollment in the trial. If the registration is not completed within one year after the approval, the applicant shall submit an

explanation, and if the first submission is not completed within three years, the approval of the clinical trial application shall automatically expire.

Clinical Trial Process and Good Clinical Practices

According to the Registration Measures, a clinical trial consists of Phases I, II, III and IV clinical trial as well as bioequivalence trial. Based on the characteristics of drugs and research objective, the research contents shall include clinical pharmacology research, exploratory clinical trial, confirmatory clinical trial and post-marketing research.

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 SFDA in May 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 SFDA.

To improve the quality of clinical trials, the SFDA promulgated the Good Clinical Trial Practice for Drugs (《藥物臨床試驗質量管理規範》) (the "**GCP Rules**") in August 2003 which was further amended in April 2020 and came into effect in July 2020. According to the GCP Rules, clinical trial means systematical investigation of drugs conducted on human subjects (patients or healthy volunteers) to prove or reveal the clinical, pharmacological and other pharmacodynamic effects, adverse reactions or absorption, distribution, metabolism and excretion of the drug being investigated. In order to ensure the quality of clinical trials and the safety of human subjects, the GCP Rules provides comprehensive and substantive requirements on the design and conduct of clinical trials in China. In particular, the GCP Rules enhances the protection for study subjects and tightens the control over bio-samples collected under clinical trials.

The GCP Rules stipulated that the sponsor shall bear the expenses for medical treatment and the corresponding compensation for any human subject who is harmed or dies due to reasons connected with the clinical trial. The sponsor and investigator shall pay the human subject the compensation or indemnification in a timely manner. However, the GCP Rules promulgated in 2020 abolishes the compulsory insurance the sponsor provides to human subjects participating in a clinical trial compared with the GCP Rules promulgated in 2003.

The GCP Rules also set out the qualifications and requirements for the investigators and centers participating in clinical trial, including: (i) professional certification at a clinical trial center, professional knowledge, training experience and capability of clinical trial, and being able to provide the latest resume and relevant qualification documents per request; (ii) being familiar with the trial protocol, investigator's brochure and relevant information of the trial drug provided by the applicant; (iii) being familiar with and comply with the Revised GCP Rules and relevant laws and regulations relating to clinical trials; (iv) keeping a copy of the authorization form on work allocation signed by investigators; (v) investigators and clinical trial centers shall accept supervision and inspection organized by the applicant and inspection by the drug regulatory authorities; and (vi) in the case of investigators and clinical trial centers authorizing other individual or institution to undertake certain responsibilities and functions relating to clinical trial, they shall ensure such individual or institution are qualified and establish complete procedures to ensure the responsibilities and functions are fully performed and generate reliable data.

The GCP Rules also summarizes the role of ethics committee in clinical trial process. An ethics committee shall consist of experts working in the medical, pharmaceutical and other fields. The clinical

trial protocol may not be executed unless approved by the ethics committee. In November 2019, the NMPA and the NHC jointly promulgated the Notice on Issuing the Administration of Drug Clinical Trial Institution (《關於發佈藥物臨床試驗機構管理規定的公告》), which stipulates that each clinical trial institution shall maintain an ethics committee responsible for the ethical review of drug clinical trial.

Communication with the CDE

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 in July 2018, 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. Within 60 days after the acceptance of and the fees paid for the clinical trial applications, 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 NMPA promulgated 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》) in September 2018, during the research and development periods and in the registration applications of, among others, the innovative 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 clinical trial application, meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a drug marketing application, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

Drug Marketing Registration

According to the Registration Measures, the applicant may submit an application for drug marketing registration to CDE upon completion of relevant research on pharmacy, pharmacology, toxicology and drug clinical trials, determination the quality standards of the drug, validation of commercial-scale production processes and preparation for acceptance of verification and inspection conducted by professional technical institution designated by competent NMPA. The CDE will organize pharmaceutical, medical and other technicians to conduct comprehensive review of the safety, efficacy and quality controllability, among others, of the drug according to the application materials submitted by the applicant, the results of the verification and inspection conducted by professional technical institution, etc. If the comprehensive review conclusion is affirmative, the drug shall be approved for marketing and a drug registration certificate will be issued containing the information of the drug approval number, the marketing authorization holders (the "**MAH**") and the manufacturer.

Pilot Plan for the MAH System

The MAH System was formally established by the 2019 Amendment and symbolized the general application of the MAH System throughout the country. According to which: (i) an MAH refers to enterprise or drug research and development institute which has obtained a drug registration certificate; (ii) an MAH shall be responsible for managing the whole manufacturing and marketing chain and the

whole life cycle of drugs and assumes the full legal liability for non-clinical study, clinical trial, manufacturing and operation, post-market launch study, monitoring, reporting and handling of adverse reactions of the drugs; (iii) the legal representative and the key person-in-charge of a drug MAH shall be fully responsible for the quality of drugs; (iv) an MAH may either engage in drug manufacturing on its own or may engage licensed contract manufacturers for manufacturing; (v) an MAH may either engage in drug sales on its own or may engage licensed contract distributor for drug sales; (vi) upon approval by the drug administrative department of the State Council, an MAH may transfer the drug registration certificate for a certain drug obtained by it to a qualified transferee and upon the completion of the transfer, such transferee will be the new MAH for that drug.

Multi-Regional Clinical Trials

The International Multi-Regional Clinical Trial Guidelines (Trial) (《國際多中心藥物臨床試驗指南(試行)》) (the "**Multi-Regional Clinical Trial Guidelines**"), promulgated by the CFDA in January 2015 and came into effect in March 2015, provided guidance on the implementation of international multi-regional clinical trials (the "**MRCT**") in China. According to the Multi-Regional Clinical Trial Guidelines, international MRCT applicants may simultaneously perform clinical trials in different regions using the same clinical trial protocol. Where the applicants plan to implement the international MRCTs in the PRC, the applicants shall comply with relevant laws and regulations, such as the Drug Administration Law, the Implementing Regulations of the Drug Administration Law and the Registration Measures, execute the GCP Rules, make reference to universal international principles such as the ICH-GCP (International Conference on Harmonization-Good Clinical Practice), and comply with the laws and regulations of the countries involved in the international MRCT. Where the applicants plan to use the data derived from the international MRCT for approval of a drug marketing registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Multi-Regional Clinical Trial Guidelines, Registration Measures and other related laws and regulations.

The GCP Rules summarizes the requirements for initiating a MRCT, that is, before initiating a MRCT: (i) the applicant shall ensure that all the centers participating in the clinical trial will comply with the trial protocol; (ii) the applicant shall provide each center with the same trial protocol, and each center shall comply with the same unified evaluation criterion for clinical trial and laboratory data and the same guidance for case report form; (iii) each center shall use the same case report form to record the data of each human subject obtained during the trial; (iv) before the initiating of a clinical trial, a written document is required to specify the responsibilities of the investigators of each center; and (v) the applicant shall ensure the communication among the investigators of each center.

Data derived from international MRCTs can be used for the drug marketing registration with the NMPA. When using international MRCT data to support the drug marketing registration in China, applicants shall submit the completed global clinical trial report, statistical analysis report and database, along with relevant supporting data in accordance with ICH-CTD (International Conference on Harmonization-Common Technical Document) content and format requirements; subgroup research results summary and comparative analysis shall also be conducted concurrently. Leveraging the clinical trial data derived from international MRCTs conducted by our partners, we may avoid unnecessary repetitive clinical trials and thus further accelerate the drug marketing registration process in China.

Approval or Filing of Human Genetic Resources

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 in June 1998, aimed at

protecting and fair utilizing human genetic resources in the PRC. The Ministry of Science and Technology promulgated 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》) in July 2015, according to which, 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 organization of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. The Ministry of Science and Technology further 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》) in October 2017, which became effective in December 2017 and simplified the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulations of the PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》), promulgated by the State Council in May 2019 and came into effect in July 2019, further stipulates that in order to obtain marketing authorization 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 type, quantity and usage of the human genetic resource to be used shall be filed with the administrative department of science and technology under the State Council before clinical trials.

REGULATIONS ON DRUG MANUFACTURING AND DISTRIBUTION IN THE PRC

Drug Manufacturing

According to the Drug Administration Law and the Implementing Regulations of the Drug Administration Law, a drug manufacturing enterprise is required to obtain a drug manufacturing license from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. According to the Regulations of Implementation of the Drug Administration Law and the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》) (the "**GMP Rules**"), promulgated in August 2004 and amended in November 2017 and January 2020, respectively, the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. In addition, the name, legal representative, registered address and unified social credit code specified in the drug manufacturing certificate shall be identical to that set forth in the business license as approved and issued by the industrial and commercial administrative department. According to such measures, to the extent the MAH does not manufacture the drug but through contract manufacturing organization, the MAH shall apply for drug manufacturing license with the provincial counterpart of the NMPA, subject itself to inspections and other regulatory oversight by the agency.

The Good Manufacturing Practice for Drugs (《藥品生產質量管理規範》) was promulgated in March 1988 and was amended in June 1999 and January 2011. The Good Manufacturing Practice for Drugs comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and management of customer complaints and adverse event reports.

Drug Distribution

According to the Drug Administration Law and its implementing regulations and the Measures for the Supervision and Administration of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》), which was promulgated by the SFDA in January 2007 and came into effect in May 2007, pharmaceutical enterprise shall be responsible for the quality of pharmaceuticals they manufacture, operate or use, purchase, sale, transportation, storage.

According to the Measures for the Administration of Pharmaceutical Operation Certificate (《藥品經營許可證管理辦法》) which was promulgated in February 2004 and amended in November 2017 by the CFDA, a Medicine Operation Certificate is valid for five years. Each holder of the Medicine Operation Certificate must apply for an extension of its permit six months prior to expiration. The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local medicine administrative authorities at or above the county level. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the retail pharmacy store.

Regulations on Healthcare System Reform

The PRC government recently promulgated several healthcare reform policies and regulations. In March 2009, the Central Committee of the Communist Party of China 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》). In December 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》). In April 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》). In August 2018, the General Office of the State Council issued the Notice on the Main Tasks of Strengthening the Reform of Healthcare System in second half of 2018 (《關於印發深化醫藥衛生體制改革2018年下半年重點工作任務的通知》). 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.

In May 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 National Reimbursement Drug List (the "**NRDL**") and incorporating the eligible therapeutic drugs listing in the National Essential Drug List into the NRDL first in accordance with the procedure.

In December 2019, the Standing Committee of the NPC promulgated the Law of the People's Republic of China on Promotion of Basic Medical and Health Care (《中華人民共和國基本醫療衛生與健康促進

法》), which came into effect in June 2020. Such law established the legal framework for the administration of basic medical and health services for citizens in China, including the administration of basic medical care services, medical care institutions, medical staff, guarantee of drug supply, health promotion and guarantee of medical funds.

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

REGULATIONS ON COVERAGE AND REIMBURSEMENT IN THE PRC

Reimbursement under the National Medical Insurance Program

The State Council promulgated 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》) in December 1998, according to which, all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) in July 2007, according to which, urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. According to the Social Insurance Law of Peoples' Republic of China (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the NPC in October 2010 and amended in December 2018, all employees are required to enroll in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees as required by the state.

Several authorities including the Ministry of Labor and Social Security and the Ministry of Finance of the PRC, among others, jointly promulgated the Notice Regarding the Tentative Measures for the Administration of the Scope of 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》) in May 1999, which provides that a pharmaceutical product listed in the Medical Insurance Catalog must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements:

- it is set forth in the Pharmacopeia (the prevailing version) of the PRC;
- it meets the standards promulgated by the NMPA; and
- if imported, it is approved by the NMPA for import.

Medical Insurance Catalog

According to the Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee issued by the PRC Ministry of Labor and Social Security, together with other government authorities, a drug product

listed in the medical insurance catalog must be clinically necessary, safe, effective, reasonably priced, easy to use and available in sufficient quantity. Besides, the above mentioned authorities have the power to determine the medicines included in the NRDL, which is divided into two parts, Part A and Part B. Patients purchasing medicines included in Part A of the Medical Insurance Catalog are entitled to reimbursement in accordance with the regulations in respect of basic medical insurance. Patients purchasing medicines included in Part B of the Medical Insurance Catalog are required to pay a certain percentage of the purchase price and the remainder of the purchase price shall be reimbursed in accordance with the regulations in respect of basic medical insurance.

According to the Notice of the Ministry of Human Resources and Social Security on Issuing the National Drug Catalog 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(2017年版)的通知》) (the "**2017 NRDL**") which was promulgated in February 2017, the competent social insurance departments of the provinces (autonomous regions and municipalities directly under the Central Government) shall make adjustments to the drugs of Part B in strict accordance with the current laws, regulations, and documents. The quantity adjusted by each province (autonomous region or municipality directly under the Central Government) (including those drugs to be included in or removed from the NRDL and those within the scope of limited payment) shall not exceed 15% of the quantity of national drugs of Part B.

According to the Notice of the National Healthcare Security Administration and Ministry of Human Resources and Social Security on Issuing the National Drug Catalog 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》) (the "**2019 NRDL**") which was promulgated in August 2019 and came into effect in January 2020, all places shall implement the 2019 NRDL in a strict manner, and shall not have the discretion to formulate the catalog or increase the drugs of Part B in any form, or adjust the scope of limited payment. For those drugs that were already added to Part B of the provincial catalog in accordance with the 2017 NRDL, the drugs shall be gradually removed within 3 years. Priority shall be given to adjusting the scope of payment for the drugs that were listed in the First Batch of National Key Monitored Drugs for Rational Use (chemical and biological products) (《第一批國家重點監控合理用藥藥品目錄(化藥及生物製品)》), which was issued and came into effect in June 2019.

Medical Insurance Reimbursement Standards

The State Council promulgated 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》) in January 2016, which 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.

The General Office of the State Council further released 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》) in June 2017. The main objectives are to implement a diversified reimbursement mechanism including diagnosis related groups, per-capita caps, and per-bed-day caps. These new reimbursement methods will be rolled out nationwide by 2020 to replace the current reimbursement method that is based on service category and product price. Local administration of healthcare security will introduce a total budget control for their jurisdictions and decide the amount of reimbursement to public hospitals based on hospitals' performance and the spending targets of individual basic medical insurance funds.

Commercial Insurance

The State Council and the Central Committee of the Communist Party of China jointly issued the Plan for Healthy China 2030 (《"健康中國2030"規劃綱要》) (the "**2030 Plan**") in October 2016, according to which, the country would establish a multi-level medical security system built around basic medical insurance, with other forms of insurance supplementing the basic medical insurance, including serious illness insurance for urban and rural residents, commercial health insurance and medical assistance. Furthermore, the 2030 Plan encourages enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance. The evolving medical insurance system makes innovative drugs more affordable and universally available to the Chinese population, which renders greater opportunities to drug manufacturers that focus on the research and development of innovative drugs, such as high-cost cancer therapeutics.

Price Controls

Instead of direct price controls which were historically used in the PRC, the government regulates prices mainly by establishing a consolidated procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Tender Procurement of Drug by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated in July 2000 and the Notice of the State Drug Administration on Further Improvement on the Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《國家藥品監督管理局關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated in August 2001, non-profit medical institutions established by county or higher level government are required to implement centralized tender procurement of drugs. The Working Regulations of Medical Institutions for Procurement of Drugs by Centralized Tender and Price Negotiations (for Trial Implementation) (《醫療機構藥品集中招標採購和集中議價採購工作規範(試行)》), promulgated in March 2002, provides rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. The Notice of the Financial Planning Department of Ministry of Health on Issue of Opinions on Further Regulating Centralized Procurement of Drugs by Medical Institutions (《衛生部財務規劃司關於印發<進一步規範醫療機構藥品集中採購工作的意見>的通知》) was promulgated in January 2009, according to which, non-profit medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by online centralized procurement. Each provincial government shall formulate its catalog of drugs subject to centralized procurement. Except for drugs in the National Essential Drug List (the procurement of which shall comply with the relevant rules on National Essential Drug List), certain pharmaceutical products which are under the national government's special control, such as toxic, radioactive and narcotic drugs and traditional Chinese medicines, in principle, all drugs used by non-profit medical institutions shall be covered by the catalog of drugs subject to centralized procurement.

The centralized tender process takes the form of public tender operated and organized by provincial or municipal government agencies. The centralized tender process is in principle conducted once every year in the relevant province or city in PRC. The bids are assessed by a committee composed of pharmaceutical and medical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, product safety, qualifications and reputation of the manufacturer, after-sale services and innovation.

Only pharmaceuticals that have won in the centralized tender process may be purchased by public medical institutions funded by the governmental or state-owned enterprise (including state-controlled enterprises) in the relevant region.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS IN THE PRC

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識財產權協定》), 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定》) 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 Standing Committee of the NPC in March 1984, as amended in September 1992, August 2000 and December 2008, and came into effect in October 2009, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council in June 2001 and as amended in December 2002 and January 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and a design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization 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 Patent Law of the PRC, 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 of the PRC, any organization 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.

Patent Enforcement

Unauthorized use of patents without consent from owners of patents, forgery of the patents belonging to other persons, or engagement in other patent infringement acts, will subject the infringers to infringement liability. Serious offenses such as forgery of patents may be subject to criminal penalties.

A patent owner, or an interested party who believes the patent is being infringed, may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined by using a reasonable multiple of the license fee under a contractual license. Statutory damages may be awarded in the circumstances where the damages cannot be determined by the above-mentioned calculation standards. The damage calculation methods shall be applied in the aforementioned order.

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 Standing Committee of the NPC in September 1993, and amended in November 2017 and April 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; (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; or (4) instigating, inducing or assisting others to violate confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of trade secrets, disclosing, using or permitting others to use the trade 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 Standing Committee of the NPC in August 1982, and amended in February 1993, October 2001, August 2013 and April 2019 respectively, the period of validity for a registered trademark is ten years, commencing from the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten 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 canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior 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 the 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》) promulgated by the Ministry of Industry and Information Technology in August 2017, and the Implementing Rules on Registration of Domain Names (《中國互聯網絡信息中心域名註冊實施細則》) promulgated by China Internet Network Information Center in September 2002, which came into effect in December 2002 and was lastly amended in May 2012. The Ministry of Industry and Information Technology 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.

OTHER SIGNIFICANT REGULATIONS OF THE PRC AFFECTING OUR BUSINESS

Product Liability

In addition to the strict drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. Under current PRC law, manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. According to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》) (the "**PRC Civil Law**"), promulgated in April 1986 and amended in August 2009, a defective product which causes property damage or physical injury to any person may subject the manufacturer or vendor of such product to civil liability for such damage or injury. The Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated in May 2020 and will become effective on 1 January 2021, will amalgamate and replace a series of specialized laws in civil law area, including the PRC Civil Law. The rules on product liability in the Civil Code of the PRC remain consistent with the rules in the PRC Civil Law.

In February 1993, the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**") was promulgated to supplement the PRC Civil Law aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was last revised in December 2018. According to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated in October 1993 and amended in October 2013 to protect consumers' rights when they purchase or use goods and accept services. According to which, all business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the latest amendment, all business operators shall pay high attention to protect the customers' privacy and strictly keep it confidential any consumer information they obtain during the business operation. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

Tort Law

According to the Tort Law (《中華人民共和國侵權責任法》) of the PRC promulgated by the Standing Committee of the NPC in December 2009, if damages to other persons are caused by defective products due to the fault of a third party, such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of a warning, recall of products, etc. in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages. Civil Code of the PRC will amalgamate and replace the Tort Law from 1 January 2021. The rules on tort in the Civil Code of the PRC are generally consistent with the Tort Law.

Commercial Briberies in Pharmaceutical Industry

According to the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規

定》), promulgated in January 2007 and amended in December 2013, where a manufacturer of drugs, medical devices and medical disposables, an enterprise, an agency or an individual offers staff of a medical institution any items of value or other benefits, the enterprise should be listed in the adverse records with respect to commercial bribery in the event of the following circumstances: (1) where the act has constituted a crime of bribery as determined by the ruling of a people's court, or where the circumstance of crime is not serious enough for the imposition of criminal punishment and criminal punishment is exempted as decided by the people's court in accordance with the Criminal Law; (2) where the circumstance of the crime of bribery is minor and the relevant people's procuratorate has decided not to lodge a prosecution; (3) where a discipline inspection and supervision authority has initiated a case of bribery and conducted investigation, and punishment has been imposed in accordance with the law; (4) where administrative penalties against the act of bribery have been imposed by, inter alia, the finance administration, the SAMR, the NMPA; (5) any other circumstances specified by laws, regulations and rules. If medical production and operation enterprises be listed into the Adverse Records of Commercial Briberies for the first time, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies in local province for two years since publication of the record, and public medical institution, and medical and health institutions receiving financial subsidies in other province shall lower their rating in bidding or purchasing process. If medical production and operation enterprises be listed into the Adverse Records of Commercial Bribery more than once in five years, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide for two years since publication of the record.

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》) promulgated by the State Council in January 1996, which was amended in January 1997 and August 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》) promulgated by the People's Bank of China in June 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 State Administration of Foreign Exchange 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外匯管理政策的通知》) and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the State Administration of Foreign Exchange (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, the SAFE promulgated 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》) in February 2015, which was further amended in December 2019 and 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》), which were promulgated by the SAFE in May 2013 and amended in October 2018 and December 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 in Mach 2015 and amended in December 2019, and the Circular on the Reform and Standardization 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 in June 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.

Dividend Distribution

The SAFE promulgated 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》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (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 utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Foreign Exchange Registration of Offshore Investment by PRC Residents

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》) (the "**SAFE Circular 37**") in July 2014. The SAFE Circular 37 requires PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "**SPV**") directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV.

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

Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

Employee Stock Incentive Plan

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

Labor Law and Labor Contract Law

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC in July 1994 and amended in August 2009 and December 2018 respectively, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC in June 2007 and amended in December 2012 and came into effect in July 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 in September 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

Social Insurance and Housing Provident Funds

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 Standing Committee of the NPC in October 2010 and came into effect in July 2011, and further amended in December 2018, and 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 in January 1999 and amended in March 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 in

April 1999 and amended in March 2002 and March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the NPC in March 2007 and amended in February 2017 and December 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 in December 2007 and amended in April 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 the 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》) (the "**Double Tax Avoidance Arrangement**") promulgated and came into effect in August 2006, 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》) which was promulgated by the State Taxation Administration in February 2009, 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定中"受益所有人"有關問題的公告》) which was promulgated by the State Taxation Administration in February 2018 and came into effect in April 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.

Other PRC National and Provincial-Level Laws and Regulations

We are subject to changing regulations under many other laws and regulations administered by governmental authorities at the national, provincial and municipal levels, some of which are or may become applicable to our business. For example, regulations control the confidentiality of patients' medical information and the circumstances under which patient medical information may be released for inclusion in our databases, or released by us to third parties. These laws and regulations governing both the disclosure and the use of confidential patient medical information may become more restrictive in the future.

We also comply with numerous additional national and provincial laws relating to matters such as safe working conditions, manufacturing practices, environmental protection and fire hazard control. We believe that we are currently in compliance with these laws and regulations; however, we may be required to incur significant costs to comply with these laws and regulations in the future. Unanticipated changes in existing regulatory requirements or adoption of new requirements could therefore have a material adverse effect on our business, results of operations and financial condition.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued under the Share Schemes, and having considered CBC Group's subscription for the Offer Shares as a cornerstone investor as more particularly set out in "Cornerstone Investors" and assuming the Offer Price of HK$52.50 per Share, being the mid-point of the indicative Offer Price range of HK$50.00 to HK$55.00), CBC Group will be entitled to exercise voting rights of approximately 49.98% of our issued Shares. Therefore CBC Group will constitute Controlling Shareholders of our Company. For the background of our Controlling Shareholders, "History, development and corporate structure—Corporate structure before the Global Offering".

To the best knowledge and belief of our Directors, CBC Group held 35.5% interest in I-Mab (NASDAQ: IMAB) as of 31 December 2019, a clinical stage biopharmaceutical company focused on the discovery, development and commercialization of novel or highly differentiated biologics to treat diseases with significant unmet medical needs, particularly cancers and autoimmune disorders. Save as disclosed above, CBC Group is not the controlling shareholders of any other listed companies.

CLEAR DELINEATION OF BUSINESS

CBC Group is a healthcare private equity firm with a diverse portfolio of investee companies in pharmaceuticals, biotech, medical technology and healthcare services. Consistent with the strategy adopted by other private equity funds with a focus on healthcare industry and for the purpose of risk diversification, CBC Group invests in a number of portfolio companies with drug candidates with different stages of clinical development, therapeutic areas, mechanisms of action, indications and/or targets. CBC Group is not involved in the decision-making process with respect to the in-licensing and development of drug candidates of these portfolio companies. Rather, as a passive investor, CBC Group provides financial capital as well as assistance in hiring professionals for the development and management of its portfolio companies (including those that are currently wholly-owned by CBC Group) and therefore the business decisions of each CBC Group-controlled portfolio company are solely made by the directors and senior management of such portfolio company.

As of the Latest Practicable Date, other than the interest in our Company, CBC Group had controlling interests in the following companies (collectively, the "**CBC Portfolio Companies**") to the best knowledge and belief of our Directors:

Investee company	Ownership	Description	Delineation from our Company
Investee A	100.00%	Biotech company focused on biosimilar candidates in oncology and immunology for commercialization	Different type of business products with different mechanisms of action
Investee B	100.00%	Biotech company focused on neurology (central nervous system) and ophthalmology which, to the best knowledge of our Directors, had one clinical stage product at phase 2 as of the Latest Practicable Date	Focus on different therapeutic areas
Investee C	76.59%	US-based small molecule drug discovery company focused on oncology without any clinical stage products which, to the best knowledge of our Directors, did not have any commercialized and clinical stage products as of the Latest Practicable Date	Different type of business different stage of development
Investee D	57.69%	Contract development and manufacturing organization (CDMO) for biologic products	Different type of business

Investee company	Ownership	Description	Delineation from our Company
Investee E	51.77%	China-based specialty pharmaceutical company with one commercial stage women's health product and one clinical stage analgesic product	Different type of business; Products with different mechanisms of action and indications
I-Mab	35.5%(1)	Biotech company focused on the discovery, development and commercialization of novel or highly differentiated biologics to treat diseases with significant unmet medical needs, particularly cancers and autoimmune disorders	Products with different mechanisms of action
Investee F	44.27%	Biotech company focused on oncology which, to the best knowledge of our Directors, had only one early clinical stage product at phase 1 as of the Latest Practicable Date	Products with different mechanisms of action and indications; different stage of development

Note:

(1) Based on the annual report of I-Mab for the fiscal year ended 31 December 2019.

Our Directors are of the view that the CBC Portfolio Companies are clearly delineated from the businesses from our Group for the following reasons:

a) Different types of business. The CBC Portfolio Companies include companies that (i) are not pharmaceutical companies, or (ii) are pharmaceutical companies but are not focused on research and development of drugs, whereas our Group is a pharmaceutical company focused on research and development of drugs. Specifically, investee D is a CDMO which aims to assist its customers to achieve their particular drug development goals, where all rights and interests relating to the relevant drugs belong to the customers. In contrast, we conduct research and development of our licensed drug products with a view to manufacture and commercialization to end users. Similarly, investee A is engaged in the development of biosimilar candidates and investee C is engaged in small molecule drug discovery business, which are different from our business.

b) Different stages of development. All of our drug candidates are late clinical stage products, whereas some of the CBC Portfolio Companies have only early or pre-clinical stage products or no products at all. Products that are in pre-clinical stage generally lack a definite timeline for reaching the commercialization stage and require significant investment and research for advancing to IND-stage. To the best knowledge of our Directors, as of the Latest Practicable Date, Investee C did not have any clinical stage products and investee F had only one early clinical stage product, as opposed to our Company which has a pipeline of eight clinical-stage drug candidates across four different therapeutic areas.

c) Different therapeutic areas. Our Group is focused on four therapeutic areas, namely immunology, cardiorenal, oncology and infectious diseases. None of the CBC Portfolio Companies with clinical or commercialized products focus on cardiorenal or infectious diseases. Conversely, our Group is differentiated from investee B as we are not focused on neurology and ophthalmology.

d) Different mechanisms of action and/or indications. The drug candidates developed by investees A, F and I-Mab are different from our products in terms of mechanisms of action and/or indications, as confirmed by Frost & Sullivan. Except for one drug candidate of I-Mab, namely TJ301, the indications of which cover ulcerative colitis, to the best knowledge of the Directors, the current drug candidates developed by investees A, F and I-Mab target different specific patient groups from those of the Company's drug candidates.

e) Different targets. All the drug candidates developed by the CBC Portfolio Companies have different targets from those of our drug candidates, as confirmed by Frost & Sullivan.

f) Different management and operations. Save for Mr. Wei Fu, our Group's Directors and senior management do not hold any executive role in any CBC Portfolio Company. Moreover, there is no overlapping personnel in the research and development teams of our Group and the CBC Portfolio Companies.

g) Corporate governance. As set out below, the Controlling Shareholders have provided a non-compete undertaking in favor of the Company. In addition, our Company has adopted/will adopt certain corporate governance measures to manage the conflicts of interest as set forth in "—Corporate governance measures" below.

On the basis of the differences as set forth above, we consider that apart from their interest in our Company, our Controlling Shareholders do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business.

NON-COMPETE UNDERTAKING

Notwithstanding that there is a clear delineation between the businesses of our Group and the CBC Portfolio Companies as set forth above, the Controlling Shareholders provided the Non-compete Undertaking to ensure there remains a clear delineation of these respective businesses in the future. Pursuant to the Non-compete Undertaking, the Controlling Shareholders shall not, and shall procure their close associates (as defined in the Listing Rules) not to, engage in development and commercialization of innovative drugs with the same targets, indications or mechanism of action of our anchor products, namely eravacycline (Xerava), etrasimod, sacituzumab govitecan (Trodelvy), and Nefecon during the term of the Non-compete Undertaking.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence

Our business is managed and conducted by our Board and senior management. Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors.

The following Directors hold positions at CBC Group or its associates:

(a) Mr. Wei Fu, our executive Director, is the chief executive officer and managing director at CBC Group.

(b) Mr. Xiaofan Zhang, our executive Director, is a director at CBC Group.

The following Directors hold titles with CBC Group or its associates which are purely for marketing purposes. They are independent from CBC Group and do not have any executive, managerial or administrative roles or duties at CBC Group.

(a) Dr. Kerry Levan Blanchard, our executive Director, is an operating partner at CBC Group. His title at CBC Group is solely for marketing purposes given his role as executive Director and chief executive officer of the Company, being a CBC Group-invested portfolio company. He is not involved in the daily management or operations of CBC Group. He has not received any compensation from CBC Group and has not signed any employment contracts with CBC Group.

(b) Mr. Ian Ying Woo, our executive Director, is an operating partner at CBC Group. His title at CBC Group is solely for marketing purposes given his role as executive Director, president and chief financial officer of the Company, being a CBC Group-invested portfolio company. He is not involved in the daily management or operations of CBC Group. He has not received any compensation from CBC Group and has not signed any employment contracts with CBC Group.

We believe our Directors and senior management are able to manage our Group independently for the following reasons:

a) Dr. Blanchard and Mr. Woo are independent from CBC Group for the reasons stated above.

b) Save for Mr. Fu, none of the Directors and members of our senior management have any ongoing executive role with CBC Group. Mr. Fu assumes a non-executive role as a director of I-Mab (NASDAQ: IMAB) and is not involved in the daily management or operations of I-Mab.

c) Each Director is aware of his fiduciary duties as a director which require, among others, that he acts for the benefit and in the interest of our Company and our Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests.

d) Our Directors believe that our Board has a balanced composition of executive, non-executive and independent non-executive directors, which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors account for more than one-third of the Board, (b) our independent non-executive Directors do not and will not take up any position in the Controlling Shareholders or their close associates, (c) our independent non-executive Directors, details of whom are set out in "Directors and Senior Management", together possess the requisite industry knowledge and experience for their views to carry weight, and (d) all of our independent non-executive Directors are qualified to provide professional and experienced advice to our Company with more than two decades of combined experience in the pharmaceutical industry. The Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole.

e) Under the Articles, matters discussed at board meetings shall be determined by a majority of votes.

f) For any resolution in respect of any contract or arrangement or any other proposal in which a Director of any of his associates has any material interest, the interested Director shall not vote and shall not be counted in the quorum in respect of such transactions.

g) CBC Group, as a private equity fund dedicated to the healthcare industry, is a passive investor of our Company. Accordingly, CBC Group is not involved in making key business decisions such as in-licensing or development of drugs by our Company. Such decisions are made solely by the Directors and senior management of the Company.

h) See "—Corporate governance measures" for other corporate governance measures we have adopted/will adopt to manage conflicts of interest, if any, between our Group and our Controlling Shareholders.

Based on the above, our Directors believe that our business is managed independently of our Controlling Shareholders.

Operational independence

We hold all relevant licenses material to the operation of our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our suppliers and an independent management team to operate our business. We have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources department.

We have leased and may continue to lease premises in conjunction with CBC Group. See "Connected transactions" for further details. However, all these premises are purely for administrative use and none

of these premises is individually material to our operations. We believe that we would be able to find suitable alternative premises if required.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have an independent internal control and accounting systems and also have an independent finance department responsible for discharging the treasury function. Our Directors believe that, upon Listing, our Company is capable of obtaining financing from third parties, if necessary, without reliance on financial assistance or credit support from our Controlling Shareholders.

There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted/will adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

(a) under the Articles, where a Shareholders' meeting is held to consider proposed transactions in which our Controlling Shareholders or any of their associates is, under the Listing Rules, required to abstain, our Controlling Shareholder(s) shall not vote and shall not be counted in respect of such transactions;

(b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after Listing;

(c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;

(e) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(f) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors believe that sufficient corporate governance measures have been/will be put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

Financial assistance received and provided by our Group in relation to the lease of premises located on 66/F, Tower 1, Plaza 66, Shanghai

Parties

(i) **Everstar Medicines (Shanghai) Limited** ("**Everstar Shanghai**"), a subsidiary of the Company;

(ii) **Shanghai Kangshida Management Consulting Co., Ltd. (上海康士達管理諮詢有限公司) ("Shanghai Kangshida")**, a subsidiary of C-Bridge Capital GP IV, Ltd., one of our Controlling Shareholders; and

(iii) **Shanghai Kangshiqiao Commercial Consulting Co., Ltd. (上海康士橋商務諮詢有限公司) ("Shanghai Kangshiqiao")**, a subsidiary of C-Bridge Capital GP, Ltd., one of our Controlling Shareholders.

Principal terms

Pursuant to a tenancy agreement entered into in March 2019 and other subsequent relevant agreements, Shanghai Kangshiqiao (which subsequently assigned the lease to Shanghai Kangshida) agreed to lease from the landlord, an Independent Third Party, the premises located at units 6601, 6602, 6603, 6604, 6605, 6606, 6608 and 6609, 66/F, Tower 1 Plaza 66, No. 1266 Nanjing West Road, Jingan District Shanghai for the period from 1 August 2019 to 30 June 2025. Pursuant to an agreement entered into between, among others, Everstar Shanghai and Shanghai Kangshida in August 2019, Shanghai Kangshida assigned all its rights and obligations of the tenancy of units 6601, 6602, 6603, 6604, 6605 and 6606 to Everstar Shanghai. The assignment agreement further provides that (i) Everstar Shanghai shall provide a guarantee in favor of the independent landlord with respect to all liabilities and obligations of Shanghai Kangshida under the lease; (ii) Shanghai Kangshida and Shanghai Kangshiqiao (the previous tenant of the premises) shall each provide a guarantee in favor of the independent landlord with respect to all liabilities and obligations of Everstar Shanghai under the lease. The monthly rental payment payable by Shanghai Kangshida for units 6608 and 6609 is RMB140,212.95 (tax inclusive) for the period between 1 September 2019 and 30 June 2022, and RMB157,785.09 (tax inclusive) for the period between 1 July 2022 and 30 June 2025.

Reasons for the transactions

The landlord requires the inclusion of the cross guarantee arrangement as described above in order that both Everstar Shanghai and Shanghai Kangshida could continue to lease the premises on 66/F of Plaza 66. Termination of the guarantee provided by either side would result in a breach of the agreement and Everstar Shanghai would be required to vacate the premises, which would give rise to unnecessary costs and cause unnecessary disruption to our operations in Shanghai.

Implications under the Listing Rules

As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Given the reciprocity of the guarantees, the fact that the guarantee provided by Everstar Shanghai only exists during the term of the lease (which is longer than three years), and the fact that Everstar Shanghai has been assigned the rights to a majority of the rooms leased from the landlord, our Directors take the view that such arrangement was entered into on normal commercial terms and is consistent with normal business practice. The Joint Sponsors agree with our Directors' view and concur that the guarantee provided by Everstar Shanghai being longer than three years is in line with normal business practice.

For the financial assistance provided by our Group, as the highest applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the financial assistance provided by our Group to Shanghai Kangshida under the lease in respect of units 6608 and 6609 will be less than 5% and the total consideration will be less than HK$3,000,000 on an annual basis, under Rule 14A.76(1)(c) of the Listing Rules, the financial assistance will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the financial assistance received by our Group and provided by our connected persons, our Directors are of the view that it is conducted on normal commercial terms or better, and our Company confirms that it is not secured by the assets of our Group. On the basis of the above, such financial assistance will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS

Upon Listing, our Board will consist of 8 Directors, including 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, namely:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Mr. Wei Fu (傅唯)	38	Executive Director, chairman	Overall strategic planning and business development of our Group, chairperson of the nomination committee and member of the remuneration committee	July 2017	July 2017
Dr. Kerry Levan Blanchard	64	Executive Director, chief executive officer	Overall management of our Group	February 2020	February 2020
Mr. Ian Ying Woo (何穎)	48	Executive Director, president, chief financial officer	Financial strategy, financial management and investor relation	June 2018	December 2018
Mr. Xiaofan Zhang (張曉帆)	36	Executive Director, chief operating officer	Overseeing day-to-day operations	November 2017	November 2017
Mr. Yubo Gong (龔聿波)	35	Non-executive Director	Providing professional opinion and judgment to the Board	June 2020	June 2020
Mr. Bo Tan (譚擘)	46	Independent non-executive Director	Supervising and providing independent judgment to our Board, chairperson of the remuneration committee and member of the audit and nomination committees	date of this document	date of this document
Mr. Yifan Li (李軼梵)	52	Independent non-executive Director	Supervising and providing independent judgment to our Board, chairperson of the audit committee and member of the nomination committee	date of this document	date of this document
Mr. Shidong Jiang (蔣世東)	52	Independent non-executive Director	Supervising and providing independent judgment to our Board, member of the audit and remuneration committees	date of this document	date of this document

Save as may be disclosed below, none of our Directors are related to other Directors or members of senior management.

Executive Directors

Mr. Wei Fu (傅唯), aged 38, is an executive Director of our Company, chairman of the Board, chairperson of the nomination committee and member of the remuneration committee. Mr. Fu is also a director of Everest Medicines II (BVI) Limited, Everest Medicines II (HK) Limited, EverOnc Medicines Inc., EverOnc Medicines Limited, Everest Medicines II Limited and Everest Medicines (Singapore) Pte. Ltd..

Mr. Fu has served as the chief executive officer and managing director of CBC Group, a healthcare dedicated private equity firm, since April 2014. From August 2011 to December 2013, Mr. Fu served as the general manager of the investment department at a wholly-owned subsidiary of Far East Horizon Limited, a financial services organization listed on the Stock Exchange (HKEX: 3360). From March 2008 to April 2010, Mr. Fu worked as an associate director at Standard Chartered Business Consulting (Beijing) Co., Ltd., where he was mainly responsible for private equity investments in infrastructure projects. From July 2006 to March 2008, Mr. Fu worked at Macquarie Capital (Singapore) Pte. Limited, where his last position was as a business analyst.

Mr. Fu received his bachelor's degree in electrical and electronic engineering from Nanyang Technological University in Singapore in February 2005.

Mr. Fu has been a director of I-Mab (NASDAQ: IMAB) since June 2018, and was a non-executive director of Ascletis Pharma Inc. (HKEX: 1672) from April 2018 to December 2018.

Mr. Kerry Levan Blanchard, M.D., Ph.D., aged 64, is an executive Director of our Company and our chief executive officer. Dr. Blanchard is also a director of Everest Medicines II Limited, EverNov Medicines (Zhuhai Hengqin) Co., Ltd., Everest China and Everstar Medicines (Shanghai) Limited.

Dr. Blanchard is an operating partner of CBC Group and most recently served as chief scientific officer at a subsidiary of Innovent Biologics, Inc. (HKEX: 1801), from January 2018 to June 2019. He was a senior executive at Eli Lilly (NYSE: LLY) and its subsidiaries from 2000 to December 2017, playing multiple roles including senior vice president of Lilly China and co-chairman of the Lilly Asia Venture investment committee. Dr. Blanchard's scientific and leadership positions in Eli Lilly included Oncology Discovery Biology Research, Lilly Singapore Systems Biology, Discovery operations, and Tailored Therapeutics in Indianapolis.

Dr. Blanchard worked at the Feist-Weiller Cancer Center, Department of Medicine, Louisiana State University Medical Center from 1992 to 1999, including as an associate professor of Louisiana State University, and was a research fellow, a clinical fellow and an instructor in Medicine at the Brigham and Women's Hospital in Boston, Massachusetts, United States, and at Harvard Medical School in Massachusetts, United States from 1985 to 1992.

Dr. Blanchard received his bachelor's degree in chemistry in August 1977, Ph.D. in biochemistry in September 1982 and M.D. in April 1985, each from Indiana University in the United States.

During the past three years, Dr. Blanchard has not been a director of any listed companies.

Mr. Ian Ying Woo (何穎), aged 48, is an executive Director of our Company and our president and chief financial officer. Mr. Woo is also a director of Everest Medicines II Limited and Everest Medicines (US) Limited.

Mr. Woo is an operating partner of CBC Group and served as a managing director of CBC Group from June 2018 to June 2019. Prior to joining our Company in June 2018, Mr. Woo served as a managing director in the healthcare advisory team at Lazard Frères & Co. LLC ("**LFNY**"), a subsidiary of the financial advisory and asset management firm Lazard Ltd (NYSE: LAZ). Mr. Woo joined LFNY in March 2005 and was based in New York until June 2018, other than from January 2012 to June 2016 during which period he worked at Lazard Asia (Hong Kong) Limited, LFNY's Hong Kong office and an SFC licensed corporation.

Mr. Woo received his bachelor's degree in biology from Tufts University in the United States in May 1994, his master's degree in cellular, molecular and biomedical studies from the Columbia University

Graduate School of Arts and Sciences in the United States in May 1998 and his master of business administration degree from the Columbia University Graduate School of Business in the United States in May 2003.

During the past three years, Mr. Woo has not been a director of any listed companies.

Mr. Xiaofan Zhang (張曉帆), aged 36, is an executive Director of our company and our chief operating officer. Mr. Zhang is also a director of Everest Medicines II (HK) Limited, Everest Medicines II Limited, Everest Medicines (Singapore) Pte. Ltd., Everstar Therapeutics Limited, EverID Medicines (Beijing) Limited, Everstar Medicines (Shanghai) Limited, EverNov Medicines Limited, EverNov Medicines (HK) Limited, EverNov Medicines (Zhuhai Hengqin) Co., Ltd., Everest Medicines (Suzhou) Inc. and Everest China.

Mr. Zhang has been with CBC Group since January 2014, most recently serving as a director and responsible for the fund's investments in pharmaceutical and biotech industry prior to joining the Company. Prior to joining CBC Group, Mr. Zhang worked in various capacities in private equity and investment banking, including as a private equity investment officer at Capital International, Inc., a private equity arm of Capital Group, from March 2011 to February 2013, at Morgan Stanley Asia Limited, a subsidiary of Morgan Stanley (NYSE: MS), from May 2007 to March 2011 where his last position held was associate, and at BOCI Research Limited and BOCI Securities Limited from 2006 to 2007.

Mr. Zhang received his bachelor's degree in mathematics with honors from The University of Hong Kong in December 2006.

During the past three years, Mr. Zhang has not been a director of any listed companies.

Non-executive Director

Mr. Yubo Gong (龔聿波), aged 35, is a non-executive Director of our Company.

Mr. Gong has been an industrialist investor at Janchor Partners Limited, a company licensed by the SFC to conduct asset management, focusing on investments in China and the healthcare sector, since 2014. Prior to joining Janchor Partners Limited, he was an associate at TPG Capital, Limited in Hong Kong from August 2009 to February 2014. Prior to that, Mr. Gong worked as an analyst in the investment banking division of a subsidiary of Morgan Stanley (NYSE: MS) in New York.

Mr. Gong received his bachelor's degree in economics and biomedical engineering in May 2007 from Duke University in the United States.

During the past three years, Mr. Gong has not been a director of any listed companies.

Independent non-executive Directors

Mr. Bo Tan (譚擘), aged 46, is an independent non-executive Director, chairperson of the remuneration committee and member of the audit and nomination committees of our Company with effect from the date of this document.

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors. He served in various capacities at 3SBio Inc. (HKEX: 1530) from February 2009 to December 2019, including as its vice president, chief financial officer, and executive director. He worked at Lehman Brothers Asia Limited from March 2006 to March 2007 and as a senior analyst at Macquarie Securities Asia from October 2004 to February 2006.

Mr. Tan received his bachelor's degree in economics from Renmin University of China in July 1994, his master's degree in economics from the University of Connecticut, in the United States in December 1996 and his master of international management from the American Graduate School of International Management (now known as Thunderbird School of Global Management) in Arizona, United States in August 1998.

Mr. Tan has served as an independent non-executive director of Globe Metals & Mining (ASX: GBE) since October 2013 and Akeso, Inc. (HKEX: 9926) since April 2020.

Mr. Yifan Li (李軼梵), aged 52, is an independent non-executive Director, chairperson of the audit committee and member of the nomination committee of our Company with effect from the date of this document.

Mr. Li has been a vice president of Zhejiang Geely Holding Group Co., Ltd. since October 2014. He served as chief financial officer of Sanpower Group Limited from May 2014 to September 2014, and of China Zenix Auto International Limited (NYSE: ZXAIY) from December 2010 to February 2014.

Mr. Li received his bachelor's degree of economics in world economy from Fudan University in China in July 1989, his master's degree in management and administrative sciences from the University of Texas at Dallas in the United States in May 1994 and his master of business administration from the University of Chicago in the United States in June 2000.

Mr. Li is a certified public accountant in the United States and a chartered global management accountant with the American Institute of Certified Public Accountants.

Mr Li has been an independent non-executive director of ZhongAn Online P & C Insurance Co., Ltd. (HKEX: 6060) since December 2016, Frontage Holdings Corporation (HKEX: 1521) since April 2018 and Xinyuan Property Management Service (Cayman) Ltd. (HKEX: 1895) since September 2019. He has also been an independent director of Heilongjiang Interchina Water Treatment Co., Ltd. (SSE: 600187) since May 2015, Shanghai International Port Group Co., Ltd. (SSE: 600018) since September 2015, Xinyuan Real Estate Co., Ltd. (NYSE: XIN) since February 2017, Qudian Inc. (NYSE: QD) since October 2017, Zhejiang Tiantie Industry Co., Ltd. (SZSE: 300587) since December 2017, Sunlands Technology Group (formerly known as Sunlands Online Education Group) (NYSE: STG) since July 2019, and 36Kr Holdings Inc. (NASDAQ: KRKR) since November 2019. Mr. Li was a director of Zhejiang Qianjiang Motocycle Co., Ltd. (SZSE: 000913) from November 2016 to April 2018.

Notwithstanding that Mr. Li serves as an independent non-executive director or independent director on a number of other listed companies, the Board and the Joint Sponsors are of the view that he will still be able to devote sufficient time to act as an independent non-executive Director of the Company because (i) none of his commitments to such other listed companies is of an executive nature and none of them requires his full-time involvement, (ii) he has demonstrated that he is able to properly discharge his duties owed to multiple listed companies since as early as May 2015 notwithstanding his position as a vice president of Zhejiang Geely Holding Group Co., Ltd., as evidenced by his attendance rate of 86% at board meetings of companies listed on the Stock Exchange that he is a director of, based on the annual reports published by such companies thus far, (iii) his experience as an independent director of listed companies in both Hong Kong and the United States would facilitate his understanding of corporate governance, awareness of the expected time involvement for independent non-executive directors and his ability to properly discharge his responsibilities as a director, (iv) he has held directorships for over three years in more than seven of the above listed companies and to the best of the Company's knowledge none of the above-named listed companies of which Mr. Li has

served as a director has questioned or complained about his time devoted to such companies, and (v) he has undertaken to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director and to supervise and oversee the management of our Company.

Mr. Shidong Jiang (蔣世東), aged 52, is an independent non-executive Director and a member of the audit and remuneration committees of our Company with effect from the date of this document.

Mr. Jiang has over a decade of experience in the pharmaceutical industry. He was previously the general manager of Hemony Pharma Co., Ltd., a private pharmaceuticals business in China, including in 2017, the chief executive officer of Hisun-Pfizer Pharmaceuticals Ltd., a joint venture between Pfizer Inc. (NYSE: PFE) and Zhejiang Hisun Pharmaceuticals Co., Ltd. (SSE: 600267), in 2015, the president of St. Jude Medical (Shanghai) Limited, St. Jude Medical, Inc.'s (NYSE: STJ, delisted) Chinese subsidiary, including in 2012, and employed by the Pfizer Inc. (NYSE: PFE) pharmaceutical group including as general manager for specialty/anti-infectives in 2010 and 2011.

Mr. Jiang received his bachelor's degree in power engineering from the Dalian University of Technology in Dalian, China in July 1989.

During the past three years, Mr. Jiang has not been a director of any listed companies.

Save as disclosed in this document, there is no material matter relating to our Directors that needs to be brought to the attention of our Shareholders and the information of our Directors disclosed in this document comply with the requirements under Rule 13.51(2) in all material respects.

SENIOR MANAGEMENT

Mr. Wei Fu, Dr. Kerry Levan Blanchard, Mr. Ian Ying Woo and Mr. Xiaofan Zhang are each an executive Director of our Company and also a member of our senior management team. See their biographies in the part headed "—Director—Executive Directors". The senior management team of our Group comprises, in addition to our executive Directors, the following persons listed below:

Name	Age	Position	Roles and Responsibilities	Date of joining our Group	Date of appointment as senior manager
Dr. Jason Brown	48	Chief business officer	Manage our alliances and business development	July 2017	August 2019
Ms. Sunny Xu Zhu (朱煦)	50	Chief medical officer (infectious disease)	Clinical development	October 2017	October 2017
Dr. Zhengying Zhu (朱正纓)	47	Chief medical officer (internal medicine)	Clinical development	November 2017	November 2017
Ms. Yang Shi (時陽)	44	Chief medical officer (oncology)	Clinical development	February 2019	February 2019
Dr. Steven Xinhui Hu (胡新輝)	46	Senior vice-president (CMC)	Chemistry, manufacturing and controls	November 2018	November 2018

Save as may be disclosed below, none of the members of senior management are related to Directors or other members of senior management.

Mr. Jason Brown, Ph.D., aged 48, has served as our chief business officer since August 2019. Dr. Brown joined us as our senior vice president, business development in July 2017.

Dr. Brown served as a managing director of CBC Group from October 2016 to July 2018 and now serves as an operating partner of CBC Group. From July 2007 to June 2016, Dr. Brown held multiple positions at Thomas, McNerney & Partners, a healthcare venture firm that invests in life science and medical technology companies, and his last position held was partner. From June 2003 to June 2007, Dr. Brown was employed by Forward Ventures, a life science venture capital firm located in San Diego, California, and his last position held was associate.

Dr. Brown received his bachelor's degree in biochemistry and molecular biology from Purdue University in the United States in May 1993 and his Ph.D. in biology from the University of California, San Diego in the United States in June 2000.

During the past three years, Dr. Brown has not been a director of any listed companies.

Ms. Sunny Xu Zhu (朱煦), aged 50, has served as our chief medical officer, infectious disease since October 2017. Ms. Zhu is also a director of EverID Medicines Limited.

Before joining our Company, Ms. Zhu served as a global clinical leader in the anti-infective therapeutic area of general medicine at Bayer Healthcare Company Limited from April 2013 to October 2017. Ms. Zhu held multiple positions at AstraZeneca Pharmaceutical Technology (Beijing) Co., Ltd., a subsidiary of AstraZeneca plc (LSE: AZN), in China and the United Kingdom from January 2003 to April 2013 and her last position held was executive director of drug development project and portfolio management. Ms. Zhu held multiple positions at MSD China from October 1995 to January 2003 and her last held position was clinical research manager.

Ms. Zhu received her bachelor's degree in preventive medicine from Beijing Medical University (now the Peking University Health Science Center), in July 1994 and her master's degree of medicine in public health and epidemiology and statistics from the Peking University Health Science Center in July 2009.

During the past three years, Ms. Zhu has not been a director of any listed companies.

Ms. Zhengying Zhu, M.D., Ph.D. (朱正纓), aged 47, has served as our chief medical officer, internal medicine since November 2017. Dr. Zhu is also a director of Everstar Therapeutics Inc., Everstar Therapeutics Limited and Everstar Medicines (Shanghai) Limited.

Before joining our Company, Dr. Zhu served as chief medical officer and head of the business development at Luoxin Biological Technology (Shanghai) Co., Ltd. (羅欣生物科技(上海)有限公司) (now known as Luoxin Pharmaceuticals (Shanghai) Co., Ltd (羅欣藥業(上海)有限公司)), a wholly-owned subsidiary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (HKEX: 8058, delisted), from October 2014 to October 2017. From November 2006 to October 2014, Dr. Zhu held multiple positions at Sino-American Shanghai Squibb Pharmaceuticals Limited, a subsidiary of Bristol-Myers Squibb (NYSE: BMY), and her last position held was senior medical director. Dr. Zhu worked as a physician at AstraZeneca Pharmaceutical Co., Ltd. in China from April 2005 to November 2006.

Dr. Zhu received her M.D. in clinical medicine in July 1996 and her Ph.D. in clinical medicine and internal medicine in July 2001, both from Shanghai Medical University (now known as Fudan University, School of Medicine). Dr. Zhu completed her post-doctoral fellowship training at the Division of Nephrology, University of Texas Southwestern Medical Center in Dallas, Texas, United States in December 2004.

During the past three years, Dr. Zhu has not been a director of any listed companies.

Ms. Yang Shi (時陽), aged 44, has served as our chief medical officer, oncology since February 2019. Ms. Shi is also a director of EverNov Medicines (Zhuhai Hengqin) Co., Ltd..

Before joining our Company, Ms. Shi was the head of China clinical development at Merck Serono (Beijing) Pharmaceutical Research and Development Co., Ltd. (默克雪蘭諾(北京)醫藥研發有限公司) in China from February 2015 to February 2019. Ms. Shi was the oncology project development director in the medical department at Boehringer Ingelheim International Trading (Shanghai) Co., Ltd. in China and Germany from September 2010 to February 2015. Ms. Shi worked as a product physician, medical advisor and senior manager in oncology consecutively at Pfizer Investment Co., Ltd. in China, a subsidiary of Pfizer Inc. (NYSE: PFE), from September 2005 to September 2010.

Ms. Shi received her bachelor's degree in medicine from the Capital University of Medical Sciences, China in July 1998 and her master's degree in oncology from the Academy of Military Medical Sciences, China in July 2002.

During the past three years, Ms. Shi has not been a director of any listed companies.

Mr. Steven Xinhui Hu, Ph.D. (胡新輝**)**, aged 46 has served as our senior vice president, chemistry, manufacturing and controls since September 2018.

Dr. Hu served as the senior director and head of chemistry, manufacturing and controls in Roche R&D Center (China) Ltd. from July 2013 to October 2018, director of new product development in GlaxoSmithKline (China) Investment Co., Ltd., a subsidiary of GlaxoSmithKline plc (NYSE: GSK), from July 2010 to July 2013, and senior scientist research pharmacy in Merck & Co, Inc. (NYSE: MRK) from March 2008 to July 2010.

Dr. Hu received his Ph.D. in science mechanics from Brown University in the United States in May 2004 and was a postdoctoral associate in the Chemical Engineering Department at Massachusetts Institute of Technology in the United States from December 2003 to June 2005.

During the past three years, Dr. Hu has not been a director of any listed companies.

JOINT COMPANY SECRETARY

Ms. Yin Yin (印茵), aged 48, is our joint company secretary, head of investor relations and head of our US operations.

She was formerly employed as company secretary and senior director of investor relations for, and by a subsidiary of, Trip.com Group Limited (NASDAQ: TCOM) from October 2004 to October 2007. Ms. Yin was a manager at Capgemini America from August 1999 to July 2003.

Ms. Yin received her bachelor's degree in biomedical engineering from Duke University in the United States in May 1994 and her master of business administration from New York University in May 1999.

Ms. Yee Wa Lau (劉綺華), aged 47, is our joint company secretary and a senior manager of corporate services of Tricor Services Limited. She is a chartered secretary, a corporate governance professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators (now known as The Charter Governance Institute). Ms. Lau received her bachelor's degree in business administrative management from the University of South Australia.

Ms. Lau has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Lau is currently the named company secretary of four listed companies on the Stock Exchange, namely, BAIOO Family Interactive Limited (HKEX: 2100), Meituan Dianping (HKEX: 3690), Transmit Entertainment Limited (HKEX: 1326) and Jiayuan International Group Limited (HKEX: 2768).

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract and (ii) a confidentiality, invention, non-competition and non-solicitation agreement with our key management and key technical staff. Set out below are details of the key terms of these contracts.

- Term: We normally enter into three-year employment contracts with our key management and key technical staff.
- Scope of confidential information: The employee shall keep confidential inventions, trade secrets, confidential information, knowledge or data of our Company, or any of our clients, customers, consultants, shareholders, licensees, licensors, vendors or affiliates, that the employee may produce, obtain or otherwise acquire or have access to during the course of their employment by us.
- Confidentiality obligation and duration: The employee, during the term of their employment with our Group and thereafter, (i) shall not directly or indirectly use, divulge, publish or otherwise disclose or allow to be disclosed any aspect of confidential information without our prior written consent, (ii) shall refrain from any action or conduct which might compromise the confidentiality or proprietary nature of the confidential information, and (iii) shall follow recommendations made by our Group or its officers from time to time. In the event of the employee's termination of employment, the employee shall promptly surrender and deliver to our Group any confidential information, and will not retain or take with them anything containing or pertaining to any confidential information.
- Assignment of intellectual property rights: The employee gives us a complete, absolute and exclusive right, title, and interest in and for any and all intellectual property rights made or conceived by them (a) during their employment (i) that relate in any manner to the actual or demonstrably anticipated business, work, or research and development of our Group, or (ii) that are developed in whole or in part on our time or using our equipment, supplies, facilities or confidential information, or (iii) that result from or are suggested by any task assigned to them or any work performed by them for or on behalf of us, or within the scope of their duties and responsibilities with us, and (b) within one year after termination of their employment that are related to any of their activities during their term of employment with our Group.
- Assistance with acquiring intellectual property rights: The employee agrees to assist us in acquiring the aforementioned intellectual property rights, including by (i) assigning their right, title or interest to us, (ii) granting us an exclusive, royalty-free, assignable, irrevocable and worldwide license to exercise such right, title and interest, (iii) waiving their right to assert and agreeing never to assert any claims against us with respect to such right, title or interest.
- Non-competition: While employed by our Group, the employee will not work as an employee or consultant of any other organization or engage in any other activities which conflict with the obligations to our Group, without the express prior written approval of our Group. Within one

year after termination, the employee shall continue to comply with the non-competition obligations if our Group elects to compensate to such employee an amount equivalent to a certain percentage of his/her average monthly salary.

- Non-solicitation: During, and for two years following, their employment, the employee will not either for themselves or for any other person or entity (i) attempt to solicit, induce, recruit or encourage any of our employees to leave their employment, or take away such employees, or (ii) solicit the business of any client or customer of our Group (other than on our behalf), or induce or influence the client or customer of our Group to restrict or cancel the business relationship with us.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee comprises three members, namely Mr. Yifan Li, Mr. Bo Tan, and Mr. Shidong Jiang, with Mr. Yifan Li (being our independent non-executive Director with the appropriate professional qualifications) as chair of the audit committee.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Mr. Bo Tan, Mr. Wei Fu and Mr. Shidong Jiang, with Mr. Bo Tan as chair of the remuneration committee.

Nomination committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Wei Fu, Mr. Bo Tan and Mr. Yifan Li, with Mr. Wei Fu as chair of the nomination committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing save for the below.

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

We have been taking, and will continue to take steps to promote gender diversity at the Board and management levels. In particular, all of our chief medical officers, who are each responsible for specific therapeutic areas, are female and form part of our senior management team. Going forward, we will continue to work to enhance gender diversity of the Board. Our Board will use its best endeavors to appoint female directors to our Board after Listing (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles) and our nomination committee will use its best endeavors and on suitable basis to, within three years after Listing, identify and recommend multiple suitable female candidates to our Board for its consideration on appointment of a Director. At present, all of the Company's chief medical officers, namely Ms. Sunny Xu Zhu, Dr. Zhengying Zhu and Ms. Yang Shi, are female and each are responsible for clinical development of the Company's products in their respective therapeutic areas. We will continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers and exemptions" for further details.

REMUNERATION

Our Directors receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 was approximately RMB15.34 million, RMB15.50 million and RMB22.80 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The five highest paid individuals of our Group for the year ended 31 December 2018 and 2019 and the three months ended 31 March 2020 included 2, 1 and 2 Directors, respectively. The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the remaining highest paid individuals for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 was approximately RMB16.63 million, RMB22.34 million and RMB9.23 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 by our Company to our Directors or senior management.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised not and no Shares are issued under the Share Schemes, excluding CBC Group's subscription for the Offer Shares as a cornerstone investor in the Global Offering) the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Name of Shareholder	Capacity / Nature of interest	Number of Shares [1]	Approximate percentage of interest in our Company after the Global Offering [2]
C-Bridge Investment Everest Limited[3]	Beneficial owner	50,000,000	17.62%
C-Bridge IV Investment Two Limited[3]	Beneficial owner	38,362,045	13.52%
C-Bridge Healthcare Fund II, L.P.[3]	Interest in a controlled corporation	50,000,000	17.62%
C-Bridge Healthcare Fund GP II, L.P.[3]	Interest in a controlled corporation	50,000,000	17.62%
C-Bridge Capital GP, Ltd.[3]	Interest in a controlled corporation	50,000,000	17.62%
TF Capital, Ltd[3]	Interest in a controlled corporation	50,000,000	17.62%
TF Capital II, Ltd[3]	Interest in a controlled corporation	50,000,000	17.62%
Nova Aqua Limited[3]	Interest in a controlled corporation	127,645,215	44.99%
Kang Hua Investment Company Limited[3]	Interest in a controlled corporation	50,000,000	17.62%
Vistra Trust (Singapore) Pte. Limited[3]	Interest in a controlled corporation	127,645,215	44.99%
Mr. Wei Fu[3]	Beneficiary of a trust Founder of a trust	127,645,215 127,645,215	44.99% 44.99%
Ms. Dan Yang[3]	Interest in a controlled corporation	50,000,000	17.62%
C-Bridge Healthcare Fund IV, L.P.[3]	Interest in a controlled corporation	38,362,045	13.52%
C-Bridge Healthcare Fund GP IV, L.P.[3]	Interest in a controlled corporation	38,362,045	13.52%
C-Bridge Capital GP IV, Ltd.[3]	Interest in a controlled corporation	38,362,045	13.52%
TF Capital IV, Ltd[3]	Interest in a controlled corporation	38,362,045	13.52%
Everest Management Holding Co., Ltd.	Beneficial owner	24,005,392	8.46%
C-Bridge IV Investment Nine Limited	Beneficial owner	15,277,778	5.39%

Notes:

(1) The number of Shares held following conversion of Preferred Shares.

(2) It is assumed that the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes.
(3) For more information about the ownership structure of these individuals and entities, see "History, development, and corporate structure—Corporate Structure before the Global Offering".

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**") or their guarantor (as applicable), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares that may be purchased with an aggregate amount of US$225 million (approximately HK$1,744 million) at the Offer Price (the "**Cornerstone Placing**").

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue.

Immediately following the completion of the Global Offering, save for CBC, the Cornerstone Investors will not become substantial shareholders of our Company and, save for CBC and Janchor Partners, the Cornerstone Investors will not have any Board representation in our Company. To the best knowledge of our Company, each of the Cornerstone Investors (i) is an Independent Third Party (save for CBC), (ii) is independent of other Cornerstone Investors, (iii) is not financed by us, our Directors, chief executive, existing Shareholders (other than BlackRock Funds, CBC, Cormorant, GIC, Hillhouse Capital, Janchor Partners, Octagon Investments, RA Capital and Rock Springs Capital, which are existing Shareholders of our Company or their close associates as described below) or any of its subsidiaries or their respective close associates, and (iv) is not accustomed to take instructions from us, our Directors, chief executive, existing Shareholders (other than BlackRock Funds, CBC, Cormorant, GIC, Hillhouse Capital, Janchor Partners, Octagon Investments, RA Capital and Rock Springs Capital, which are existing Shareholders of our Company or their close associates as described below) or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. There are no side arrangements between us and the Cornerstone Investors. Save for our existing Shareholders, we became acquainted with each of the Cornerstone Investors through introduction by certain Underwriters. As confirmed by each Cornerstone Investor, their subscription under the Cornerstone Placing would be financed by their own internal financial resources and/or the financial resources of their shareholders.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors and the consideration will be settled by the Cornerstone Investors on or before the Listing Date. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation". Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around 8 October 2020.

Nine of the Cornerstone Investors, namely BlackRock Funds, CBC, Cormorant, GIC, Hillhouse Capital, Janchor Partners, Octagon Investments, RA Capital, Rock Springs Capital, are existing Shareholders of our Company or their close associates, have been permitted to participate in the Cornerstone Placing pursuant to paragraph 5.2 of Guidance Letter HKEX-GL92-18, and have been granted a waiver from strict compliance with the requirements under Rules 9.09(b), 10.03 and 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules (as applicable) by the Stock Exchange.

The table below sets forth details of the Cornerstone Placing:

		Assuming an Offer Price of HK$50.00 (being the low-end of the Offer Price range)				
Cornerstone Investor	**Subscription amount**	**Number of Offer Shares [1]**	**Assuming the Over-Allotment Option is not exercised**		**Assuming the Over-Allotment Option is fully exercised**	
			Approximately % of the Offer Shares	**Approximately % of the issued share capital [2]**	**Approximately % of Offer Shares**	**Approximately % of the issued share capital [2]**
	(US$ in millions)					
RA Capital	45	6,975,000	10.98%	2.46%	9.54%	2.38%
CBC	30	4,650,000	7.32%	1.64%	6.36%	1.59%
Janchor Partners	30	4,650,000	7.32%	1.64%	6.36%	1.59%
GIC	20	3,100,000	4.88%	1.09%	4.24%	1.06%
BlackRock Funds	15	2,325,000	3.66%	0.82%	3.18%	0.79%
Cormorant	10	1,550,000	2.44%	0.55%	2.12%	0.53%
Hillhouse Capital	10	1,550,000	2.44%	0.55%	2.12%	0.53%
Invus	10	1,550,000	2.44%	0.55%	2.12%	0.53%
Lake Bleu Prime	10	1,550,000	2.44%	0.55%	2.12%	0.53%
OrbiMed Funds	10	1,550,000	2.44%	0.55%	2.12%	0.53%
Rock Springs Capital	10	1,550,000	2.44%	0.55%	2.12%	0.53%
Indus	5	775,000	1.22%	0.27%	1.06%	0.26%
Octagon Investments	5	775,000	1.22%	0.27%	1.06%	0.26%
Surveyor	5	775,000	1.22%	0.27%	1.06%	0.26%
Tybourne	5	775,000	1.22%	0.27%	1.06%	0.26%
Woodline Fund	5	775,000	1.22%	0.27%	1.06%	0.26%
Total	*225*	*34,875,000*	*54.88%*	*12.29%*	*47.72%*	*11.89%*

		Assuming an Offer Price of HK$52.50 (being the mid-point of the Offer Price range)				
Cornerstone Investor	**Subscription amount**	**Number of Offer Shares [1]**	**Assuming the Over-Allotment Option is not exercised**		**Assuming the Over-Allotment Option is fully exercised**	
			Approximately % of the Offer Shares	**Approximately % of the issued share capital [2]**	**Approximately % of Offer Shares**	**Approximately % of the issued share capital [2]**
	(US$ in millions)					
RA Capital	45	6,642,500	10.45%	2.34%	9.09%	2.27%
CBC	30	4,428,500	6.97%	1.56%	6.06%	1.51%
Janchor Partners	30	4,428,500	6.97%	1.56%	6.06%	1.51%
GIC	20	2,952,000	4.65%	1.04%	4.04%	1.01%
BlackRock Funds	15	2,214,000	3.48%	0.78%	3.03%	0.76%
Cormorant	10	1,476,000	2.32%	0.52%	2.02%	0.50%
Hillhouse Capital	10	1,476,000	2.32%	0.52%	2.02%	0.50%
Invus	10	1,476,000	2.32%	0.52%	2.02%	0.50%
Lake Bleu Prime	10	1,476,000	2.32%	0.52%	2.02%	0.50%
OrbiMed Funds	10	1,476,000	2.32%	0.52%	2.02%	0.50%
Rock Springs Capital	10	1,476,000	2.32%	0.52%	2.02%	0.50%
Indus	5	738,000	1.16%	0.26%	1.01%	0.25%
Octagon Investments	5	738,000	1.16%	0.26%	1.01%	0.25%
Surveryor	5	738,000	1.16%	0.26%	1.01%	0.25%
Tybourne	5	738,000	1.16%	0.26%	1.01%	0.25%
Woodline Fund	5	738,000	1.16%	0.26%	1.01%	0.25%
Total	*225*	*33,211,500*	*52.26%*	*11.71%*	*45.45%*	*11.33%*

Cornerstone Investor	Subscription amount	Assuming an Offer Price of HK$55.00 (being the high-end of the Offer Price range)				
		Number of Offer Shares [1]	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(US$ in millions)		Approximately % of the Offer Shares	Approximately % of the issued share capital [2]	Approximately % of Offer Shares	Approximately % of the issued share capital [2]
RA Capital	45	6,340,500	9.98%	2.24%	8.68%	2.16%
CBC	30	4,227,000	6.65%	1.49%	5.78%	1.44%
Janchor Partners	30	4,227,000	6.65%	1.49%	5.78%	1.44%
GIC	20	2,818,000	4.43%	0.99%	3.86%	0.96%
BlackRock Funds	15	2,113,500	3.33%	0.75%	2.89%	0.72%
Cormorant	10	1,409,000	2.22%	0.50%	1.93%	0.48%
Hillhouse Capital	10	1,409,000	2.22%	0.50%	1.93%	0.48%
Invus	10	1,409,000	2.22%	0.50%	1.93%	0.48%
Lake Bleu Prime	10	1,409,000	2.22%	0.50%	1.93%	0.48%
OrbiMed Funds	10	1,409,000	2.22%	0.50%	1.93%	0.48%
Rock Springs Capital	10	1,409,000	2.22%	0.50%	1.93%	0.48%
Indus	5	704,500	1.11%	0.25%	0.96%	0.24%
Octagon Investments	5	704,500	1.11%	0.25%	0.96%	0.24%
Surveyor	5	704,500	1.11%	0.25%	0.96%	0.24%
Tybourne	5	704,500	1.11%	0.25%	0.96%	0.24%
Woodline Fund	5	704,500	1.11%	0.25%	0.96%	0.24%
Total	*225*	*31,702,500*	*49.89%*	*11.18%*	*43.38%*	*10.81%*

Notes:

(1) Subject to rounding down to the nearest whole board lot of 500 Shares. Calculated based on the exchange rate set out in the section headed "Information about this document and the Global Offering—Exchange rate".

(2) Immediately following the completion of the Global Offering, assuming no Shares are issued under the Share Schemes.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

RA Capital

RA Capital Healthcare Fund, L.P. and RA Capital Nexus Fund, L.P. (collectively, the "**RA Capital**") are investment funds organized under the laws of Delaware. RA Capital Management, L.P., a multi-stage investment manager dedicated to evidence-based investing in public and private healthcare and life science companies developing drugs, medical devices, and diagnostics, serves as investment adviser for each of the RA Capital. As of 31 August 2020, RA Capital Management, L.P. managed approximately US$6.38 billion in assets on behalf of investors.

CBC

C-Bridge IV Investment Sixteen Limited ("**CBC**") is a close associate of CBC Group, who are our controlling Shareholders. CBC Group is one of the largest and most active healthcare-dedicated investment platforms in Asia with a focus on platform building and buyout opportunities. CBC Group invests in and builds champions in major healthcare sectors including pharmaceutical, biotech, medical technology and healthcare services while strategically adding value to the portfolio companies through an operationally-intensive approach. CBC's obligations under its Cornerstone Investment Agreement are guaranteed by Nova Aqua Limited.

Janchor Partners

Janchor Partners Pan-Asian Master Fund and Janchor Partners Opportunities Master Fund II are each an investment fund established in the Cayman Islands and are each managed by Janchor Partners Limited, a company licensed by the SFC to conduct asset management (all together, "**Janchor Partners**"). Established in 2009, Janchor Partners is a long-term industrialist investor, partnering with companies that have superior business models, favorable growth prospects and the potential to be part of long-term positive structural dynamics of Asian countries and economies. Janchor Partners is an experienced institutional investor, with a track record of investing in healthcare companies. As of 31 August 2020, Janchor Partners manages more than US$5 billion in assets for its investment partners.

GIC

GIC Private Limited ("**GIC**") is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

BlackRock Funds

BlackRock Health Sciences Trust II, BlackRock Health Sciences Trust, BlackRock Global Funds — World Healthscience Fund, BlackRock Health Sciences Master Unit Trust and BlackRock Health Sciences Opportunities Portfolio, a Series of BlackRock Funds ("**BlackRock Funds**") are managed by investment subsidiaries of BlackRock, Inc. ("**BlackRock**"), which have discretionary investment management power over the respective BlackRock Funds. BlackRock is listed on the New York Stock Exchange (NYSE: BLK). As of 30 June 2020, the firm managed approximately US$7.32 trillion in assets on behalf of investors worldwide. BlackRock's shareholders' approval is not required for BlackRock Funds' subscription of Offer Shares pursuant to its Cornerstone Investment Agreement.

Cormorant

Cormorant Asset Management, LP ("**Cormorant**") is a U.S. SEC registered investment advisor located in Boston, Massachusetts, USA, which has been providing investment advisory services since March 2013. Cormorant invest primarily in public and private securities of healthcare and life sciences companies. Cormorant Global Healthcare Master Fund, LP, is a long-term investment partnership investing in healthcare and life sciences companies and advised by Cormorant.

Hillhouse Capital

Gaoling Fund, L.P. and YHG Investment, L.P. are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. ("**Hillhouse Capital**") serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P..

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services

sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

Invus

Invus Public Equities, L.P. is organised in Bermuda, and its investment advisor is The Invus Group, LLC and its related companies ("**Invus**"). Invus is a global investment firm with principal offices in New York, Paris and Hong Kong whose source of capital since its founding in 1985 has been a European family group. The exceptional returns from Invus' evergreen investment strategy have allowed a modest initial pool of capital to grow to over US$8 billion even after having distributed billions to shareholders. Invus doesn't raise any outside funds and focuses all its energy on value creation.

On the private side, Invus mostly takes majority control positions in companies that have ambitious transformational strategies but also makes minority investments in high-growth companies where it can add real strategic value through its partnership with owner-managers. On the public side, Invus takes significant long-only, long-term positions in companies whose fundamentals and management it believes in. The average holding period in the public equity portfolio is not measured in weeks or months but years. Invus is one of the most active global biotech investors and was an early and sizable investor in the Chinese biotech space. As of 30 June 2020, Invus managed over US$8 billion in assets.

Lake Bleu Prime

Lake Bleu Capital (Hong Kong) Limited acts as the investment manager to Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**"). Lake Bleu Prime, an exempted company incorporated in the Cayman Islands, is a long-bias public equity fund with investments focused on Asia/Greater China healthcare, including pharmaceuticals, biotech, medical devices, and healthcare services. The assets under management of Lake Bleu Prime as of the Latest Practicable Date was not less than US$1.2 billion.

OrbiMed Funds

Investors on behalf of OrbiMed include OrbiMed Partners Master Fund Limited ("**OPM**"), OrbiMed Genesis Master Fund, L.P. ("**Genesis**"), OrbiMed New Horizons Master Fund, L.P. ("**ONH**"), and The Biotech Growth Trust PLC ("**BIOG**" and, collectively, the "**OrbiMed Funds**"). OrbiMed Capital LLC is the investment advisor for OPM and the portfolio manager of BIOG. OPM is an exempted company limited by shares incorporated under the laws of Bermuda. BIOG is a publicly listed trust organized under the laws of England. Genesis and ONH are each exempted limited partnerships incorporated under the laws of the Cayman Islands with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein.

Rock Springs Capital

Each of Rock Springs Capital Master Fund LP ("**Rock Springs**") and Four Pines Master Fund LP ("**Four Pines**") is a Cayman Islands exempted limited partnership which pursues an investment strategy focused primarily on investing in companies in the healthcare and healthcare-related industries. The investment activities of Rocks Springs and Four Pines are managed by Rock Springs Capital Management LP ("**Rock Springs Capital**"), an investment advisory firm that is led by a team of well-known healthcare industry investors with significant experience investing together. As of 16 September 2020, Rock Springs Capital managed approximately US$3.9 billion in assets on behalf of its investors.

Indus

Indus Pacific Opportunities Master Fund, Ltd. (the "**Indus Fund**"), is a limited liability company incorporated in the Cayman Islands, and is managed by Indus Capital Partners, LLC. Indus Capital Partners, LLC (with its affiliates, "**Indus**") is an employee-owned international alternative investment management firm, offering a variety of long/short and long-only equity strategies with a primary focus on Asia Pacific, Japan, and Global Emerging Markets. The firm was founded in 2000 by partners who had worked together since 1995 and possess on average over 20 years' investment experience in the Asia Pacific region. In total, as of 1 September 2020, Indus manages US$3.9 billion for a diverse client base, including foundations and university endowments, corporate and public pensions, high net worth individuals, family offices, sovereign wealth funds, and financial institutions. Indus is headquartered in New York, with offices in Hong Kong, Tokyo, Shanghai, San Francisco and London. Indus is registered as an investment adviser with the U.S. SEC in the U.S. Overseas affiliates are regulated by the SFC in Hong Kong and the Financial Services Agency in Japan.

Octagon Investments

Octagon Investments Master Fund LP ("**Octagon Investments**") is an exempted limited partnership formed under the laws of the Cayman Islands and operating as a private investment fund. Octagon Capital Advisors LP ("**Octagon Capital**"), a Delaware limited partnership and registered investment advisor with the U.S. SEC, serves as the investment manager to Octagon Investments. Founded in 2019, Octagon Capital is a multi-stage investment manager dedicated to evidence-based investing in public and private healthcare companies. Octagon Capital strives to build concentrated, long-term investments and work with our portfolio management teams as partners. Octagon Capital manages capital on behalf of global institutions such as university endowments, non-profit foundations, family offices and established asset managers. As of September 2020, Octagon Capital managed approximately US$250 million in assets on behalf of investors.

Surveyor

Citadel Multi-Strategy Equities Master Fund Ltd. ("**Surveyor**"), is a fund managed by Citadel Advisors LLC. Citadel Advisors LLC is a member of a group of affiliated entities that includes a global investment firm ("**Citadel**"). Citadel seeks to deliver market-leading risk-adjusted investment returns to clients that include sovereign wealth funds, corporate pensions, endowments, foundations and public institutions. The Citadel funds' investment capital is deployed across five core investment strategies: Equities, Fixed Income and Macro, Commodities, Credit, and Quantitative Strategies. As of 1 September 2020, Citadel managed approximately US$35 billion of investment capital on behalf of the Citadel funds.

Tybourne

Tybourne Equity Master Fund is an exempted company incorporated in the Cayman Islands and managed by Tybourne Capital Management Limited ("**Tybourne**"). Founded in 2011 and headquartered in Hong Kong, Tybourne invests in public and private equity markets and manages long duration capital on behalf of prominent non-profits, university endowments, sovereigns, corporate pensions and family offices. Tybourne adopts a fundamental, bottom-up, research-intensive investment strategy investing globally with a focus on Asia. Focused sectors include healthcare, consumer, financials, industrials and TMT. The assets under management of Tybourne as of the Latest Practicable Date was not less than US$6.5 billion.

Woodline Fund

Woodline Master Fund LP ("**Woodline Fund**") is an exempted limited partnership formed under the laws of the Cayman Islands and operating as a private investment fund. Woodline Partners LP ("**Woodline Partners**"), a Delaware limited partnership, serves as the investment manager to the Woodline Fund. Woodline Partners is an investment firm that implements a fundamental equity strategy focused on the global Healthcare and Technology sectors. It represents a tenured team with specialized experience covering North American, European and Asian markets. Its portfolio managers have a shared set of values, a rigorous, bottom-up fundamental process, and an established network of corporate executive and industry relationships. Woodline Partners aims to find clarity in company-specific details to assess the long-term competitiveness of companies under coverage. The assets under management of Woodline Partners as of the Latest Practicable Date was not less than US$3 billion.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Joint Representatives (on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no Laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings and confirmations of such Cornerstone Investor, guarantor, or our Company (as the case may be) under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor, guarantor, or our Company (as the case may be).

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investor Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the Global Offering assuming all Preferred Shares are converted into Shares based on their respective conversion terms as disclosed in this document:

	Number of shares	Aggregate nominal value
Authorized share capital as of the date of this document	500,000,000	US$50,000.00
—Shares in issue as of the date of this document and immediately prior to the Global Offering	220,143,389	US$22,014.34
—Shares to be issued under the Global Offering	63,547,000	US$6,354.70
Shares in issue immediately following the Global Offering	283,690,389	US$28,369.04

Assumptions

The above table (i) assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering, (ii) does not take into account any Shares that may be issued or canceled or any other potential change to the share capital as described in "—Potential changes to share capital" below, (iii) assumes the Over-allotment Option is not exercised and no shares are issued under the Share Schemes.

Ranking

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

The Company may from time to time by ordinary resolution: (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Law; and (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association.

See "Summary of the constitution of our Company and Cayman Islands company law—Articles of Association—Alteration of capital" in Appendix III for details.

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

See "Summary of the constitution of our Company and Cayman Islands company law —Articles of Association—Variation of rights of existing shares or classes of shares" in Appendix III for details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and assuming no Shares are issued under the Share Schemes); and
- the total number of Shares repurchased by our Company pursuant to the authority referred to in "—General mandate to repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and assuming no Shares are issued under the Share Schemes).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and general information—Further information about our Group—Explanatory statement on repurchase of our own securities" in Appendix IV for further details of this general mandate to repurchase Shares.

Share Schemes

We adopted the Pre-IPO Share Schemes and the Post-IPO Share Schemes. See "Statutory and general information—Share Schemes" in Appendix IV for further details.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended 31 December 2018 and 2019 and three months ended 31 March 2020 and Everest II's audited consolidated financial information for the periods from 24 August 2018 (date of incorporation) to 31 December 2018 and from 1 January 2019 to 25 November 2019 (date of the merger) included in the Accountant's Report set out in Appendix I to this document, together with the respective accompanying notes. These audited consolidated financial information has been prepared in accordance with IFRS. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a biopharmaceutical company that integrates licensing, clinical development and commercialization of potentially globally first-in-class or best-in-class therapies to address critical unmet medical needs in Greater China and other emerging Asia Pacific markets. We believe our insight-driven, productive business development engine, exceptional clinical development and regulatory teams and integrated commercial platform position us to accelerate developmental timelines for our innovative drug candidates and to benefit from China's new regulatory and reimbursement policies.

Since the founding of our Company in 2017, we have created a scalable platform, assembled an experienced and visionary management team, and built a portfolio of eight promising clinical-stage drug candidates across oncology, immunology, cardio-renal disease, and infectious disease. We have targeted these four therapeutic areas because of significant unmet medical needs, the substantial number of patients in each area, and the availability of innovative products globally. Leveraging a broad and experienced business development team in the United States and Europe with a local presence in four cities, we have built strong relationships with global biopharmaceutical companies, and systematically screened and evaluated assets within each therapeutic area of focus that are differentiated and late-stage, and that we believe have significant commercial potential in Greater China and emerging Asia Pacific markets. To develop our drug candidates, we have assembled a senior leadership team with an extensive track record of successfully developing novel therapies, navigating the evolving regulatory environment, and commercializing innovative medicines in China. An entrepreneurial culture is the backbone of our Company: our subject-matter experts in each therapeutic area are focused on net value creation and their incentives are tied closely to performance. We endeavor to build a leadership position in each of our chosen therapeutic areas through anchor assets in each of our four initial areas of focus and we have demonstrated our ability to successfully advance our drug development projects.

We did not generate any revenue during the Track Record Period and do not expect to generate any revenue from product sales unless and until we obtain regulatory approval of and commercialize one of our current or future drug candidates. We have incurred net operating losses in each year during the Track Record Period. For the years ended 31 December 2018 and 2019 and the three months ended

31 March 2019 and 2020, our net operating loss was RMB127.2 million, RMB176.1 million, RMB30.3 million and RMB151.0 million, respectively. Net cash used in operating and investing activities was RMB513.3 million, RMB136.0 million, RMB76.9 million and RMB135.5 million for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively. For a detailed description of our cash flows during the Track Record Period, see "—Liquidity and Capital Resources." As of 31 March 2020, working capital was negative RMB498.9 million.

We anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our drug candidates and begin to commercialize any approved products. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate quarterly and yearly due to the development status of our drug candidates, our efforts to obtain regulatory approval and commercialize our drug candidates.

OUR ACQUISITION OF EVEREST II

On 16 August 2019, we and a subsidiary of ours entered into an agreement and plan of merger with Everest II and its shareholders. Pursuant to the agreement, our subsidiary was merged into Everest II and ceased to exist on 25 November 2019, and we acquired all of the issued and outstanding shares of Everest II (the "**Merger**"). In return, we issued 38,362,045 Series B-3 Preferred Shares to C-Bridge IV Investment Two Limited, the preferred shareholder of Everest II, and 20,384,492 Ordinary Shares to Everest II's existing ordinary shareholders. The purpose of the Merger is for us to obtain the four licenses held by Everest II and the Merger is considered an acquisition of assets in accordance with IFRS 3, definition of a business, and the four licenses were recorded at their fair value at the date of the Merger.

Everest II's results of operations have been consolidated into ours since 25 November 2019. Our statement of profit and loss for the year ended 31 December 2019 consolidates the results of Everest II since then, and our statement of profit and loss for the three months ended 31 March 2020 consolidates the full financial results of Everest II.

Everest II did not generate any revenue for the periods from 24 August 2018 (date of incorporation) to 31 December 2018 and from 1 January 2019 to 25 November 2019 (date of the Merger), and it incurred net operating losses of RMB22.1 million and RMB131.1 million for the same periods, respectively, and net cash used in its operating and investing activities were RMB69.4 million and RMB824.4 million, respectively. The table set forth below summarizes our cash burn for 2018 and 2019, if we had added the net cash used in Everest II's operating and investing activities prior to the Merger to the consolidated net cash in our operating and investing activities:

	2018	2019	Three months ended 31 March 2020
	(RMB in thousands)		
Net cash used in operating and investing activities by Everest	513,292	136,022	135,505
Net cash used in operating and investing activities by Everest II	69,358	824,373	—
	582,650	960,395	135,505

The consolidated financial statements and the accompanying notes of Everest II for the periods from 24 August 2018 to 31 December 2018 and from 1 January 2019 to 25 November 2019 are set forth in

note 30 of Appendix I to this document. For details regarding the Merger, see "History, Development and Corporate Structure—Reorganization" and note 30 to the Accountant's Report in Appendix I to this document.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by International Accounting Standards Board ("**IASB**"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments issued to investors which are carried at fair value.

Adoption of IFRS 9, IFRS 15 and IFRS 16

IFRS 9 "Financial instruments" ("**IFRS 9**"), IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**") and IFRS 16, "Leases" ("**IFRS 16**") have been adopted and applied consistently in our consolidated financial statement since the beginning of, and throughout, the Track Record Period, in lieu of IAS 39 "Financial instruments: Recognition and measurement" ("**IAS 39**"), IAS 18 "Revenue" ("**IAS 18**") and IAS 17, "Leases" ("**IAS 17**"), respectively. Our internal assessments on the impact of the adoption of IFRS 9, IFRS 15 and IFRS 16 on our financial position and performance when compared to that of IAS 39, IAS 18 and IAS 17 are set out below:

IFRS 9

Based on our internal assessments, the adoption of IFRS 9 has no significant impact on our financial position and performance as compared with IAS 39.

IFRS 15

Since we are in the process of developing and commercializing in-license drug candidates and no revenue was generated during the Track Record Period, the adoption of IFRS 15 has no significant impact on our financial position and performance as compared with IAS 18.

IFRS 16

Under IAS 17, operating lease payments are charged to the consolidated statement of comprehensive loss on a straight-line basis over the period of the lease, and operating lease commitments are disclosed separately in a note to the consolidated financial statement and are recognised outside of the consolidated statement of financial position. Under IFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of assets (being the right-of-use assets in our financial statements) and financial liabilities (being the lease liabilities in our financial statements) on our consolidated statements of financial position at the commencement of respective leases.

Based on our internal assessment, except for increases in total assets and total liabilities of RMB15.7 million and RMB16.7 million as of 31 December 2018, RMB38.4 million and RMB40.8 million as of 31 December 2019 and RMB44.9 million and RMB49.2 million as of 31 March 2020, respectively, as a result of further recognition of right-of-use assets and relevant lease liabilities under IFRS 16, the adoption of IFRS 16 has no significant impact on our financial position and performance as compared with IAS 17. In addition, the adoption of IFRS 16 has no significant impact on our key financial ratios, such as current ratio, quick ratio and gearing ratio as of 31 December 2018, 2019 and 31 March 2020.

The historical financial information has been prepared on a going concern basis. As we are in the development phase and have not generated revenue from sales of our products, we have been incurring losses from operations since incorporation. We have obtained financing from the issuance of preferred shares. Our Directors believe we have sufficient working capital for at least the next 12 months from the expected date of this document.

Upon the completion of our acquisition of Everest II on 25 November 2019, we acquired 100% of Everest II's equity interests. The consolidated financial information and the accompanying notes of Everest II for the periods from 24 August 2018 to 31 December 2018 and from 1 January 2019 to 25 November 2019 are set forth in note 30 of Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition, and the period-to-period comparability of our financial results have been, and are expected to continue to be, principally affected by the below factors:

Operating Expenses

Our results of operations are significantly affected by our operating expenses, which primarily consists of research and development expenses and general and administrative expenses. The existing categorization of our operating expenses may be subject to reclassification to reflect our business development status from time to time after the Listing.

Research and development activities are central to our business model. We believe our ability to successfully develop and commercialize drug candidates will be the primary factors affecting our long-term competitiveness, as well as our future growth and development. Developing high-quality products and product candidates requires a significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. Since our inception, we have focused our resources on developing our product candidates. Our research and development expenses primarily include (i) fees payable to CROs, investigators and clinical trial sites that conduct our pre-clinical testing and clinical studies, and (ii) payroll and other related expenses of research and development personnel. In the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, we incurred research and development expenses of RMB55.9 million, RMB150.9 million, RMB22.8 million, and RMB80.2 million, respectively. We expect our research and development expenses to continue to increase for the foreseeable future as we expand our operations and our development programs progress.

Our general and administrative expenses primarily consist of salaries and related benefit costs, including share-based compensation, for employees engaged in managerial and administrative positions or involved in general corporate functions, legal and consultant fees, travel expenses, rental and office expenses for our offices, and other expenses incurred by our management and administrative departments. We expect our administrative expenses to increase in the future to support our portfolio and research and development efforts, and the commercialization of our product candidates once approval is obtained. We also anticipate that our administrative expenses will increase as we operate as a public company following completion of this offering.

We began to incur distribution and selling expense in 2020, which primarily consists of (i) market research expenses, and (ii) payroll and other related expenses. We recorded distribution and selling expense of RMB2.8 million in the three months ended 31 March 2020. We expect our distribution and selling expenses to continue to increase for the foreseeable future as we expand our commercial activities.

Licensing Fees

As part of our research and development activities, we have spent significant resources on in-licensing our product candidates. Our licensing fees mainly include non-refundable upfront payments, milestone payments and royalty payments. During the Track Record Period, upfront payments and milestone payments were capitalised as intangible assets when incurred. Those licenses acquired in our acquisition of Everest II were measured at fair value at initial recognition. See "—Critical Accounting Policies and Estimates" for more details.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily from financing through the issuance and sale of preferred shares, convertible notes and warrants to purchase preferred shares in private placement transactions. Going forward, with the continuing expansion of our business and our product pipeline, we may require further funding from our existing shareholders, through public or private offerings, debt financing, collaborations, and licensing arrangements or other sources. In the event of successful commercialization of one or more of our product candidates, we expect to fund our operations in part with revenue generated from sales of our products. Any fluctuation in our ability to fund our operations will impact our cash flow plan and our results of operations.

Our Ability to Commercialize Our Product Candidates

Our business and results of operations depend on our ability to commercialize our product candidates, if and when they are approved for marketing. Our pipeline consists of eight clinical-stage product candidates. Although we currently have no products approved for commercial sale and have not generated any revenue from product sales, we expect commercialization of our product candidates to commence over the coming years as these product candidates move through the final stages of development and begin to generate revenue from product sales. See "Business—Our Product Pipeline" for more information on the development status of our various product candidates.

Fair Value Change in Our Financial Instruments

We raised private equity financings through the issuance of convertible redeemable preferred shares, warrants and convertible notes. Except for convertible notes, we classified these financial instruments as other financial liabilities which are measured at fair value through profit and loss. The fair value of these financial instruments is established by using valuation techniques. The warrants or convertible notes have been either converted or canceled. Although our preferred shares will be automatically converted to ordinary shares upon the closing of the Global Offering, to the extent we need to reevaluate the preferred shares and any warrants prior to the closing of the Global Offering, any change in fair value of these financial instruments, which will result in non-cash gains or losses, could materially affect our financial positions and results of operation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with IFRSs issued by the IASB. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under

the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies and estimates are summarized below. See notes 2 and 4 to the Accountant's Report set out in Appendix I for a description of our significant accounting policies.

Significant Accounting Policies

Costs associated with licensing and developing product candidates

Upfront payments and milestone payments were capitalised as intangible assets when paid or incurred, unless the payment is for outsourced research and development work which would follow the capitalisation policy described in note 2.6(b) to the Accountant's Report in Appendix I to this document. Royalty payment would be accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

Costs related to clinical trials such as payments to CROs, clinical trial sites and SMOs, and employee salaries and related benefit costs for research and development personnel, including share-based compensation, is generally expensed as research and development expenses. It is capitalised as intangible assets only when meeting the capitalisation criteria set out in note 2.6 (b) to Accountant's Report as set out in Appendix I. During the Track Record Period, such costs did not meet these capitalisation principle for any products and was recorded as expenses as incurred.

Business combinations not under common control

We apply the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by us. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

We recognise any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by us is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with our accounting policies.

We early adopted Amended IFRS 3, Business Combination to clarify the definition of a business. Among the amendment when no output are present, a workforce on access to a workflow must be obtained, at minimum, in order for a set to qualify as business.

Financial instruments issued to investors

Financial instruments issued to investors consist of redeemable and convertible preferred shares and warrant liabilities. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

(a) Preferred shares

During the Track Record Period and as of the Latest Practicable Date, we entered into a series of share purchase agreements with financial investors and issued Series A-1, A-2, B-1, B-2, B-3, C-1 and C-2 Convertible Redeemable Preferred Shares (collectively, "Preferred Shares"). In addition, EverNov, our subsidiary, entered into a license agreement with Novartis and issued Convertible Preferred Shares to Novartis accordingly.

The Preferred Shares issued by us or EverNov are redeemable upon occurrence of certain future events. These instruments can be converted into our or EverNov's ordinary shares at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of our Company or EverNov.

We designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive loss.

If our own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

(b) Warrant liabilities

During the Track Record Period, the warrant liabilities represent the warrants issued by our Company under which the holders have the rights to subscribe for our Preferred Shares at a predetermined price during a specific period. Warrant liabilities are initially recognised at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Share-based compensation

(a) Equity-settled share-based payment transaction

We operate restricted shares and stock options granted to employees, under which the relevant group entity receives services from employees as consideration for our equity instruments. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, we revise our estimates of the number of stock options that are expected to vest based on the non-marketing performance and service conditions. We recognise the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognized the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, we include the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

(b) Share-based payment transaction among group entities

Our grant of options over our equity instruments to the employees of subsidiaries undertakings is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of our Company.

Significant Accounting Estimates

Development expenditures

Development expenditures incurred on our research and development activities, including conducting clinical trials and other activities related to regulatory filings for our drug candidates, are capitalized as intangible assets only when meet the capitalization criteria as disclosed in note 2.6 (b) to Accountant's Report as set out in Appendix I. Expenditures that do not meet these capitalization principle are recognized as research and development expenses.

Impairment testing of intangible assets not ready for use

Intangible assets not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. We obtained product candidate in-licensed or acquired as part of acquisition of Everest II, which are classified as intangible assets not ready for use. The recoverable amount is the higher of an intangible asset's fair value less costs of disposal and value in use. Key assumptions are disclosed in note 15 to Accountant's Report as set out in Appendix I.

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test was performed for each drug by engaging an independent appraiser to estimate fair value less cost to sell as the recoverable amount of each drug. The fair value is based on the multi-period excessive earning method and we estimated the forecast period till year 2035 for each drug based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each product. The estimated revenue of each drug is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are post-tax and reflect specific risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at 31 December 2018 and 2019 are as follows:

Etrasimod

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-37% to 215.6%	-29% to 680.9%
Recoverable amount of CGU (in RMB million)	309.9	773.2

Ralinepag

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-37% to 351.5%	-23.5% to 692.5%
Recoverable amount of CGU (in RMB million)	107.3	265.2

Eravacycline

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-30.7% to 187%	-21% to 2,474.3%
Recoverable amount of CGU (in RMB million)	1,019.6	814.1

FGF401

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-41.9% to 17.4%	-41.9% to 17.4%
Recoverable amount of CGU (in RMB million)	403.3	310.4

Based on the result of above assessment, there was no impairment for the intangible asset as at 31 December 2018 and 2019.

We did not perform quantitative impairment test for above intangible assets as at 31 March 2020, because our policy is to perform impairment test annually as at 31 December, or more frequently if events or changes in circumstances, indicate that they might be impaired, in accordance with IAS 36 Impairment of assets. We did not identify any indication that the intangible assets would be impaired as at 31 March 2020.

Impairment test—sensitivity

We performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

Etrasimod

	As at 31 December 2018	As at 31 December 2019
	(in RMB million)	(in RMB million)
Headroom	248	676
Impact by increasing discount rate	(59)	(99)
Impact by decreasing revenue growth rate	(45)	(66)

Ralinepag

	As at 31 December 2018	As at 31 December 2019
	(in RMB million)	(in RMB million)
Headroom	73	213
Impact by increasing discount rate	(24)	(44)
Impact by decreasing revenue growth rate	(15)	(24)

Eravacycline

	As at 31 December 2018	As at 31 December 2019
	(in RMB million)	(in RMB million)
Headroom	954	713
Impact by increasing discount rate	(117)	(88)
Impact by decreasing revenue growth rate	(107)	(78)

FGF401

	As at 31 December 2018	As at 31 December 2019
	(in RMB million)	(in RMB million)
Headroom	250	154
Impact by increasing discount rate	(75)	(52)
Impact by decreasing revenue growth rate	(51)	(40)

Considering there was still sufficient headroom based on the assessment, our management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each intangible asset's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

As of 31 December 2019, considering the short period since the date of acquisition of Everest II and intangible assets acquired were recorded based on fair value, there was no impairment as at 31 December 2019 and 31 March 2020. Please refer to note 30 to the Accountant's Report as set out in Appendix I to this document for details.

Accrual of research and development expenses

Research and development expenses primarily include costs related to clinical trials paid to third-party contract research organizations ("CROs"). The estimate of accrual of research and development expenses related to the CROs requires estimates of outstanding obligations as of period end. These estimates are based on a number of factors, including our knowledge of the research and development programs and activities associated with timelines, invoicing to date, and the provisions in the contracts.

Fair value of financial instruments issued to investors

The financial instruments issued by us including preferred shares and warrant for purchase of preferred shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine our total equity value and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in note 21 to Accountant's Report as set out in Appendix I.

The preferred shares issued by our Company and EverNov and warrant liabilities issued to certain holders of preferred shares are financial instruments with fair value measured at level 3.

Sensitivity test—preferred shares

We performed sensitivity test to changes in unobservable inputs in determining the fair value of preferred shares issued by us and Evernov. The changes in unobservable inputs including discount rate, discount of lack of marketability and expected volatility will result in a significantly higher or lower fair value measurement. The increase in the fair value of preferred shares would increase the loss of fair value change in the consolidated statements of comprehensive loss. When performing the sensitivity test, our management applied an increase or decrease to each unobservable input, which represents our management's assessment of reasonably possible change to these unobservable inputs, and effect of those changes to the fair value of preferred shares is as below:

Unobservable inputs	Relationship of unobservable inputs to fair value	Effect
		(RMB thousand)
Discount rate	The higher the discount rate, the lower the fair value	1% increase/decrease change would result in decrease/(increase) in fair value of (217,494)/ 251,507 and (358,121)/ 415,768 as of 31 December 2018 and 2019, respectively.
Discount of lack of marketability	The higher the discount rate, the lower the fair value	5% increase/decrease change would result in decrease/(increase) in fair value of (93,238)/ 90,414 and (159,103)/ 163,183 as of 31 December 2018 and 2019, respectively.
Expected volatility	The higher the volatility, the lower the fair value	10% increase/decrease change would result in (decrease)/increase in fair value of (5,892)/ 2,982 and (19,143)/30,568 as of 31 December 2018 and 2019, respectively.

Backsolve method was used due to third-party financing with Series C preferred shareholders close to 31 March 2020. Under Backsolve method, the key unobservable input is expected volatility. When 10% increase/decrease change in the expected volatility, the fair value of preferred shares would be increased/(decreased) by RMB53.2 million/(RMB22.8 million) as of 31 March 2020.

Sensitivity analysis—warrant liabilities

We performed sensitivity test to changes in unobservable inputs in determining the fair value of warrant liabilities. The changes in unobservable inputs including expected volatility will result in a significantly higher or lower fair value measurement. An increase in the fair value of warrant liabilities would increase the loss of fair value change in the consolidated statements of comprehensive loss. When performing the sensitivity test, our management applied an increase or decrease, which represents our management's assessment of reasonably possible change to these unobservable inputs, and effect of those changes to the fair value of warrant liabilities is as below:

Unobservable inputs	Relationship of unobservable inputs to fair value	Effect
		(RMB thousand)
Expected volatility	The higher the volatility, the higher the fair value	10% increase/decrease change would result in increase/(decrease) in fair value of 6,706/(6,634), 3,449/(1,474), and 11,753/(9,008) as of 31 December 2018, 2019 and 31 March 2020, respectively.

Our management team worked closely with an independent professional valuer to establish the appropriate valuation techniques and inputs to the model. Both our management and the Joint Sponsors

reviewed the valuation work papers and results prepared by the valuer, examined the basis of the valuation and discussed with the Reporting Accountants. Further, the Joint Sponsors conducted due diligence with the valuer to understand, among others, the credentials and experiences of the valuer, the independence of the valuer from us, the scope of review and valuation methodologies. Nothing has come to our management's or the Joint Sponsors' attention that causes them to consider the valuation as not reasonable pursuant to the principles set out in the SFC's Guidance note on directors' duties in the context of valuations in corporate transactions dated 15 May 2017.

In respect of the valuation of our level 3 financial instruments, details and the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements are set forth in note 21 to the Accountant's Report prepared in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, as set forth in Appendix I to this document. The historical financial information in the Accountant's Report gives a true and fair view of the financial position of our Company and our financial performance and cash flows for the Track Record Period as a whole.

Share-based compensation expenses

We have granted restricted shares and stock options to our employees. We have engaged an independent valuer to determine the grant date fair value of the restricted shares and stock options to employees, which is to be expensed over the vesting period. Share-based compensation in relation to the restricted shares is measured based on the fair value of our ordinary shares at the grant date of the award. Prior to the listing, estimation of the fair value of our ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables are made. In addition, the binomial option pricing model is used to measure the value of stock options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables. Key assumptions are disclosed in note 25 to Accountant's Report as set out in Appendix I.

Deferred income tax

We recognize deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred tax assets mainly involved our judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

DISCUSSION OF CERTAIN KEY ITEMS FROM THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Years Ended 31 December		Three Months Ended 31 March	
	2018	2019	2019	2020
	(RMB in thousands)		(unaudited)	
General and administrative expenses	(72,096)	(53,851)	(8,112)	(68,148)
Research and development expenses	(55,911)	(150,888)	(22,808)	(80,184)
Distribution and selling expenses	—	—	—	(2,800)
Other income	1,009	29,253	1,055	226
Other losses	(184)	(626)	(433)	(73)
Operating loss	**(127,182)**	**(176,112)**	**(30,298)**	**(150,979)**
Finance costs—net	(1,325)	(1,947)	(403)	(573)
Fair value change in financial instruments issued to investors	(863,167)	(36,453)	129,824	455,511
(Loss)/Profit before income tax	**(991,674)**	**(214,512)**	**99,123**	**303,959**
Income tax expense	—	—	—	—
(Loss)/Profit for the year/period attributable to the equity holders of the Company	**(991,674)**	**(214,512)**	**99,123**	**303,959**
Total comprehensive (loss)/income for the year/period attributable to the equity holders of the Company	**(1,023,333)**	**(229,826)**	**117,047**	**277,311**

General and Administrative Expenses

General and administrative expenses primarily consist of salaries and related benefit costs, including share-based compensation, for employees engaged in managerial and administrative positions or involved in general corporate functions, legal and consultant fees, travel expenses, rental and office expenses for our offices, and other expenses incurred by our management and administrative departments.

The following table summarizes our general and administrative expenses for the years ended 31 December 2018 and 2019 and for the three months ended 31 March 2019 and 2020:

	Years Ended 31 December		Three Months Ended 31 March	
	2018	2019	2019	2020
	(RMB in thousands)		(unaudited)	
Employee benefit expenses	39,046	11,292	1,939	20,947
Professional expenses	15,508	24,179	2,000	17,829
Depreciation of right-of-use assets	1,551	1,037	195	930
Utilities and office expenses	3,892	2,495	707	1,442
Share-based compensation	4,736	6,838	2,291	23,258
Travelling expenses	5,953	2,961	282	1,079
Depreciation of property and equipment	205	626	42	311
Others	1,205	4,423	656	2,352
Total	72,096	53,851	8,112	68,148

Research and Development Expenses

Research and development expenses primarily consist of (i) fees payable to CROs, investigators and clinical trial sites that conduct our pre-clinical testing and clinical studies, and (ii) payroll and other related expenses of research and development personnel.

The following table summarizes the components of our research and development expenses for the years ended 31 December 2018 and 2019 and for the three months ended 31 March 2019 and 2020:

	Years Ended 31 December		Three Months Ended 31 March	
	2018	2019	2019	2020
	(RMB in thousands)		(unaudited)	
Employee benefit expenses	22,650	46,021	9,230	24,597
Clinical trial expenses	9,749	81,480	7,231	39,938
Professional expenses	—	50	—	3
Depreciation of right-of-use assets	2,641	1,766	304	1,455
Utilities and office expenses	—	—	—	63
Share-based compensation	13,076	8,107	3,628	10,641
Travelling expenses	2,891	5,067	1,058	333
Registration fee	2,949	1,820	376	1,414
Medical expert consultation fees	724	5,392	777	584
Depreciation of property and equipment	348	1,066	66	487
Others	883	119	138	669
Total	**55,911**	**150,888**	**22,808**	**80,184**

Our research and development expenses accounted for 53.1% of our total operating expenses for the three months ended 31 March 2020, which is significantly lower than that of the year ended 31 December 2019, which was 73.7%, primarily due to the increase in general and administrative expenses in the three months ended 31 March 2020 as we continued to expand our headcount for managerial and administrative positions and associated salary, employee benefits and share-based compensation expenses, as well as an increase in consulting fees.

For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, our total CRO costs were RMB5.7 million, RMB49.5 million and RMB15.8 million, respectively, among which RMB4.8 million (84.7%), RMB38.3 million (77.4%) and RMB7.3 million (46.1%) were spent on the Core Drug Candidates, respectively. For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, total CRO costs accounted for 10.2%, 32.8% and 19.7% of our total research and development expenses, respectively, and CRO costs spent on the Core Drug Candidates accounted for 8.7%, 25.4% and 9.1% of our total research and development expenses, respectively.

Distribution and Selling Expenses

Distribution and selling expenses primarily consist of (i) market research expenses, and (ii) payroll and other related expenses. We recorded distribution and selling expenses of RMB2.8 million in the three months ended 31 March 2020.

Other Income

Other income primarily consists of (i) gains from the termination of our collaboration agreement with I-Mab and (ii) net income from consultancy services in the field of business development, clinical development, related platform support and general and administrative supports that we provided

mainly to Everest II, prior to our Merger with Everest II, and to other related parties. The contract prices are determined based on the actual cost incurred plus a margin. Such income is presented after deducting the costs relating to provision of such services.

Fair Value Change in Financial Instruments Issued to Investors

Financial instruments issued to investors primarily consist of redeemable and convertible preferred shares, warrant liabilities and convertible notes. All of our issued warrants and convertible notes have been converted or canceled.

During the Track Report Period and as of the Latest Practicable Date, we entered into a series of share purchase agreements with financial investors and issued several series of convertible redeemable preferred shares. These preferred shares are redeemable upon occurrence of certain future events. These instruments can be converted into ordinary shares upon occurrence of our initial public offering. We designated these preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized as fair value. For details please refer to notes 2.13 and 21 to the Accountant's Report as set out in Appendix I.

Fair value changes of warrant liabilities consist primarily of the non-cash expenses incurred in connection with changes in the fair value of the warrants that we issued to C-Bridge Investment Everest Limited in 2017 and 2018 to purchase Series A-2 preferred shares and the warrants that we issued to Tetrad Ventures Pte Ltd in 2018 to purchase Series A-2 preferred shares. The warrant issued to C-Bridge Investment Everest Limited in 2017 was terminated on 8 June 2018 before being exercised and the warrant issued in 2018 was cancelled as part of our Series C-2 closing. The warrant issued to Tetrad Ventures Pte Ltd was fully exercised in 2018.

For details please refer to note 21 to the Accountant's Report as set out in Appendix I.

TAXATION

Cayman Islands

The Cayman Islands currently levies no taxes on corporations based upon profits, income, gains or appreciation. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Companies registered in Hong Kong are subject to Hong Kong profits tax on their taxable income as reported in their statutory financial statements, adjusted in accordance with the relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong. During the Track Record Period, none of our Hong Kong subsidiaries made any provisions for Hong Kong profit tax as there were no assessable profits derived from or earnings in Hong Kong for any of the periods presented. Under the Hong Kong tax law, our Hong Kong subsidiaries are exempted from income tax on their foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiaries to our entities in the Cayman Islands, are not subject to any Hong Kong withholding tax.

China

Our subsidiaries incorporated in China are subject to PRC enterprise income tax on their taxable income at a uniform rate of 25%. The enterprise income tax is calculated based on the entity's global

income as determined under PRC tax laws and accounting standards. No provision for income taxes has been accrued because all of our PRC subsidiaries are in cumulative loss positions for all the periods presented.

United States

Entities in New York are subject to federal tax at a rate of 21% and New York profit tax at a rate of 6.5%. Our operations in the United States have incurred net accumulated operating losses for income tax purposes and no income tax provisions were recorded during the Track Record Period.

Singapore

Our subsidiaries in Singapore are subject to Singapore profits tax at the rate of 17%. We had no taxable income during the Track Record Period.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended 31 March 2020 Compared to Three Months Ended 31 March 2019

General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB8.1 million for the three months ended 31 March 2019 to RMB68.1 million for the three months ended 31 March 2020. This was primarily attributable to the increase of share-based compensation expenses and employee benefit expenses due to our headcount increase for managerial and administrative positions, salary increase and the increase in consultant fees.

Research and Development Expenses

Our research and development expenses increased significantly from RMB22.8 million for the three months ended 31 March 2019 to RMB80.2 million for the three months ended 31 March 2020. This was primarily attributable to (i) an increase in CRO service fees, as we initiated clinical trials for some of our product candidates; and (ii) an increase in share-based compensation expenses and employee benefit expenses of employees involved in research and development due to increases in headcount and salary.

Fair Value Change in Financial Instruments Issued to Investors

We recorded gains from change in the fair value of financial instruments issued to investors of RMB455.5 million for the three months ended 31 March 2020. The change was primarily due to a moderate decrease in the per share fair value of our outstanding Preferred Shares during the first quarter of 2020, due to impact of the ongoing global COVID-19 pandemic.

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

General and Administrative Expenses

Our general and administrative headcount and activities were increasing in 2019, but our general and administrative expenses decreased by 25.2% from RMB72.1 million for the year ended 31 December 2018 to RMB53.9 million for the year ended 31 December 2019. The decrease was primarily attributable to the general and administrative expenses we charged Everest II for our provision of consultancy services to Everest II prior to the Merger. After the closing of the Merger in November 2019, such expenses had been consolidated into our financial statements.

Research and Development Expenses

Our research and development expenses increased significantly from RMB55.9 million for the year ended 31 December 2018 to RMB150.9 million for the year ended 31 December 2019. The increase was primarily attributable to (i) an increase in clinical trial expenses in 2019, as we initiated clinical trials for some of our product candidates; and (ii) an increase in employee benefit expenses of employees involved in research and development in 2019 due to increases in headcount and salary, partially offset by a portion of the research and development expenses we charged Everest II related to product candidates owned by Everest II.

Other Income

Our other income increased significantly from RMB1.0 million for the year ended 31 December 2018 to RMB29.3 million for the year ended 31 December 2019. The growth of our other income was primarily attributable to (i) net gains we received from the termination of our collaboration agreement with I-Mab, and (ii) net income generated from consultancy services in the field of business development, clinical development, related platform support and general and administrative supports that we provided mainly to Everest II.

Fair Value Change in Financial Instruments Issued to Investors

We recorded a loss from fair value change of financial instruments issued to investors of RMB863.2 million for the year ended 31 December 2018 and RMB36.5 million for the year ended 31 December 2019. The change in 2018 was primarily due to significant increase in the per share fair value of the our Series A Preferred Shares during the year, due to completion of our Series B financing at significantly higher valuation. Per share fair value of our outstanding Preferred Shares have remained relatively the same during 2019.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountant's Report set out in Appendix I:

	As of 31 December		As of 31 March
	2018	2019	2020
	(RMB in thousands)		
Non-current assets			
Property and equipment	3,003	7,725	9,720
Right-of-use assets	15,675	38,352	44,915
Intangible assets	314,746	1,663,449	1,739,012
Investments	—	293,000	278,849
Other non-current assets	179,933	3,261	2,883
	513,357	2,005,787	2,075,379
Current assets			
Amounts due from related parties	24,093	18,616	4,061
Prepayments and other current assets	2,219	6,476	6,885
Cash and cash equivalents	183,503	106,061	73,465
	209,815	131,153	84,411
Total assets	723,172	2,136,940	2,159,790
Non-current liabilities			
Financial instruments issued to investors	1,496,466	2,463,933	2,095,165
Lease liabilities	10,918	30,216	31,149
Other non-current liabilities	3,432	—	—
	1,510,816	2,494,149	2,126,314
Current liabilities			
Financial instruments issued to investors	126,283	395,318	452,029
Lease liabilities	5,820	10,543	18,089
Trade and other payables	25,136	80,779	96,138
Amounts due to related parties	2,686	17,233	17,092
	159,925	503,873	583,348
Total liabilities	1,670,741	2,998,022	2,709,662
Net current assets/(liabilities)	49,890	(372,720)	(498,937)
Total equity and liabilities	723,172	2,136,940	2,159,790

Right-of-use Assets

Our right-of-use assets, which primarily arise from our leases of properties, increased by RMB22.7 million from RMB15.7 million as of 31 December 2018 to RMB38.4 million as of 31 December 2019, primarily due to additions of RMB33.2 million relating to our new lease agreement in 2019 which is amortized over its lease term, partially offset by depreciation charge of RMB7.2 million. Right-of-use assets were RMB44.9 million as of 31 March 2020.

Intangible Assets

Our intangible assets, which primarily arise from our product candidates in-licensed or acquired as part of the Merger, increased by RMB1,348.7 million from RMB314.7 million as of 31 December 2018 to

RMB1,663.4 million as of 31 December 2019, primarily due to (i) asset acquisitions of RMB1,266.0 million in connection with our acquisition of four licenses for IPR&D as part of the Merger with Everest II, which had exclusively in-licensed four product candidates, and (ii) additions of RMB86.2 million arising from additional milestone payments that we made for the four product candidates owned by us during 2019. Our intangible assets increased by RMB 75.6 million from RMB1,663.4 million as of 31 December 2019 to RMB 1,739.0 million as of 31 March 2020, primarily due to the additional milestone payments that we made for the product candidates.

Investments

We recorded investments of RMB293.0 million as of 31 December 2019 and RMB278.8 million as of 31 March 2020. We did not record investments as of 31 December 2018.

In early 2018, we entered into an agreement with I-Mab to collaborate in the development of a CD38 antibody, TJ202, in the Greater China region. The agreement was mutually terminated in November 2019 as we opted to focus on other drug candidates, and we do not retain any interest in, rights or entitlements to develop or commercialize TJ202. In consideration of such termination, we were issued 6,078,571 ordinary shares of I-Mab in January 2020 for a total deemed consideration of US$37.0 million, representing our historical cost contribution of US$33.7 million and associated time cost of US$3.3 million. We recorded a right to receive equity investments in the amount of US$37 million (RMB258.1 million) and recognized other income for the recovery of time cost of US$3.3 million (RMB23 million) upon entry into the termination arrangement with I-Mab. After the issuance of I-Mab shares to us in January 2020, we started measuring our equity interest in I-Mab at fair value and have elected to present fair value gains and losses on equity investment in other comprehensive income. As of 31 March 2020, based on quoted market share price of I-Mab of US$13.00 per ADS, the fair value of this investment was US$34.4 million (RMB243.4 million).

Everest II purchased 141,553 Series B convertible preferred shares issued by Venatorx in October 2018 as part of the overall arrangement under the licensing of taniborbactam. The equity interest in Venatorx was transferred to us as a result of the Merger. Our equity interest in Venatorx is classified as investment at fair value through profit or loss and the fair value of this investment is valued by reference to the recent transaction price in April 2019, when Venatorx issued the same class of shares to a third party investor. During the period from April 2019 to 31 March 2020, we assessed whether fair value has changed, considering changes in circumstances such as: the current performance of Venatorx is significantly above or below the expectations at the time of the original investment; market, economic or company specific conditions have significantly improved or deteriorated since the time of the original investment. Based on our assessment, there are no changes to the fair value of the investment in Venatorx.

The significant input in determining the fair value of our investment is the recent transaction price. The higher the recent transaction price, the higher the fair value of the investment. We performed sensitivity test by increasing/decreasing the recent transaction price and a 5% increase/decrease in the recent transaction price, holding all other variables constant, would cause the carrying value of this investment by approximately RMB1,744 thousand higher/lower and RMB1,771 thousand higher/lower, as at 31 December 2019 and 31 March 2020, respectively.

Our management team established the appropriate valuation techniques for this investment. Both our management and the Joint Sponsors discussed with the Reporting Accountants and examined the basis of assumptions of the valuation. Nothing has come to our management's or the Joint Sponsors' attention that causes them to consider the valuation as not reasonable pursuant to the principles set out

in the SFC's Guidance note on directors' duties in the context of valuations in corporate transactions dated 15 May 2017.

In respect of the valuation of our level 3 investment in Venatorx, details are set forth in note 16 to the Accountant's Report prepared in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, as set forth in Appendix I to this document. The historical financial information in the Accountant's Report gives a true and fair view of the financial position of our Company and our financial performance and cash flows for the Track Record Period as a whole.

Other Non-current Assets

Pursuant to the original collaboration agreement with I-Mab, we were primarily responsible for sharing with I-Mab, by the proportion of 75% for us and 25% for I-Mab, the development costs of TJ202.

Our payments to I-Mab under the collaboration agreement were considered prepayments for our future commercial rights and were recorded as other non-current assets. Upon the termination of the collaboration agreement in November 2019, we de-recognized the prepayments and recorded them as an advance to equity investment accordingly, resulting in a decrease by RMB176.6 million in other non-current assets from RMB179.9 million as of 31 December 2018 to RMB3.3 million as of 31 December 2019. Our other non-current assets primarily consisted of rental deposits as of 31 December 2019 and 31 March 2020.

Cash and Cash Equivalents

The following table sets out a breakdown of our cash and cash equivalents as of the dates indicated.

	As of 31 December		As of 31 March
	2018	2019	2020
	(RMB in thousands)		
Cash and bank balances denominated in:			
— USD deposits	180,445	98,499	54,805
— RMB deposits	3,058	7,462	18,658
— SGD deposits	—	100	2
Total	183,503	106,061	73,465

Cash at banks earns interests at floating rates based on daily bank deposit rates. Cash at banks decreased by RMB32.6 million to RMB73.5 million as of 31 March 2020 from RMB106.1 million as of 31 December 2019. Cash at banks decreased by RMB77.4 million to RMB106.1 million as of 31 December 2019 from RMB183.5 million as of 31 December 2018. We have utilized and planned to continue to utilize our cash and cash equivalents for (i) clinical development, including our ongoing and planned clinical trials for our product candidates; (ii) milestone payments pursuant to our in-licensing agreements; (iii) potential commercialization of our approved product candidates; and (iv) working capital and other general corporate purposes.

Financial Instruments Issued to Investors

The following table sets forth the fair value of our current and non-current financial instruments issued to investors as of the dates indicated:

	As of 31 December		As of 31 March
	2018	2019	2020
	(RMB in thousands)		
Non-current			
Preferred Shares issued by our Company	1,474,230	2,446,633	2,080,145
Preferred Shares issued by EverNov	22,236	17,300	15,020
Sub-total	1,496,466	2,463,933	2,095,165
Current			
Warrant liabilities to certain holders of Preferred Shares	126,283	116,270	62,349
Convertible notes	—	279,048	389,680
Sub-total	126,283	395,318	452,029
Total	1,622,749	2,859,251	2,547,194

See "History, Development and Corporate Structure" for details of the Preferred Shares issued by our Company and warrants liabilities to certain holders of Preferred Shares. See "—Discussion of Certain Key Items from the Statement of Profit or Loss and Other Comprehensive Income Items" and note 21(c) to the Accountant's Report set out in Appendix I to this document for details of the convertible notes.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease for operation, mainly office premises. We recorded lease liabilities of RMB16.7 million, RMB40.8 million, and RMB49.2 million as of 31 December 2018 and 2019 and 31 March 2020, respectively.

Trade and Other Payables

Our trade and other payables primarily consist of trade payables, payables for service suppliers, salary and staff welfare payables, payables for property and equipment, payables for individual income tax and others. The following table sets forth the breakdown of our trade and other payables as of the dates indicated.

	As of 31 December		As of 31 March
	2018	2019	2020
	(RMB in thousands)		
Trade payables	1,646	40,057	60,758
Payables for service suppliers	5,865	10,806	7,766
Salary and staff welfare payables	16,206	23,612	18,003
Payables for property and equipment	—	367	22
Payables for individual income tax	—	1,499	5,802
Others	1,419	4,438	3,787
Total	25,136	80,779	96,138

Trade and other payables increased by RMB55.7 million from RMB25.1 million as of 31 December 2018 to RMB80.8 million as of 31 December 2019, and further increased to RMB96.1 million as of 31 March 2020. The increase was primarily attributable to the increase in trade payables and salary and staff welfare payables. We had trade payables of RMB60.8 million as of 31 March 2020, RMB55.1 million (91%) of which were subsequently settled up to the Latest Practicable Date.

KEY FINANCIAL RATIO

The following table sets forth our key financial ratio for the periods indicated:

	As of 31 December		As of 31 March
	2018	2019	2020
Current Ratio[1]	131%	26%	14%

Note:

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

Current ratio decreased from 131% as of 31 December 2018 to 26% as of 31 December 2019 because of the increase in derivative financial liabilities as a result of the increase in the fair value of the warrants. Current ratio decreased from 26% as of 31 December 2019 to 14% as of 31 March 2020 because of the decrease of current assets as a result of cash used during the period. See "—Discussion of Certain Key Items from the Statement of Profit or Loss and Other Comprehensive Income Items" in this section for a discussion of the factors affecting our results of operations during the respective periods.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have incurred net operating losses and negative cash flows from our operations. Substantially all of our losses have resulted from funding our research and development programs and general and administrative costs associated with our operations. For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, our net operating loss was RMB127.2 million and RMB176.1 million, RMB30.3 million and RMB151.0 million, respectively.

Our primary use of cash is to fund our research and development activities. We used RMB107.0 million, RMB88.7 million, RMB46.9 million and RMB84.0 million in operating activities for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively. Historically, we have financed our operations principally through proceeds from the issuance and sale of preferred shares, convertible notes and warrants in private placement transactions.

The following table provides information regarding our cash flows for the periods indicated:

	Years Ended 31 December		Three Months Ended 31 March	
	2018	2019	2019	2020
	(RMB in thousands)		(unaudited)	
Net cash outflow used in operating activities before movements in working capital[1]	(104,098)	(173,518)	(22,152)	(113,775)
Changes in working capital[1]	(2,869)	84,861	(24,713)	29,742
Net cash used in operating activities	(106,967)	(88,657)	(46,865)	(84,033)
Net cash used in investing activities	(406,325)	(47,365)	(30,002)	(51,472)
Net cash generated from/(used in) financing activities	461,370	61,996	(994)	102,945
Effect of exchange rate changes on cash and cash equivalents	9,305	(3,416)	(3,794)	(36)
Net decrease in cash and cash equivalents	(42,617)	(77,442)	(81,655)	(32,596)
Cash and cash equivalents, beginning of year/period	226,120	183,503	183,503	106,061
Cash and cash equivalents, end of year/period	183,503	106,061	101,848	73,465

Note:

(1) The financial data of this item is closely derived from, but not directly extracted from, our consolidated financial statements as set out in the Accountant's Report included in Appendix I to this document.

Operating Activities

Net cash used in our operating activities for the three months ended 31 March 2020 was RMB84.0 million. Our net profit was RMB304.0 million for the same period. The difference between our profit before income tax and our net cash used in operating activities was primarily attributable to the fair value gain of financial instruments in the amount of RMB455.5 million.

Net cash used in our operating activities for the year ended 31 December 2019 was RMB88.7 million. Our net loss was RMB214.5 million for the same year. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to (i) the fair value loss of financial instruments in the amount of RMB36.5 million and (ii) changes in the working capital. Changes in the working capital mainly include decrease in trade and other receivables of RMB26.5 million and increase in trade and other payables of RMB51.2 million.

Net cash used in operating activities for the year ended 31 December 2018 was RMB107.0 million. Our net loss was RMB991.7 million for the same year. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to the fair value loss of financial instruments in the amount of RMB863.2 million.

Investing Activities

Net cash used in investing activities for the three months ended 31 March 2020 was RMB51.5 million, primarily attributable to our purchase of intangible assets in connection with our milestone payments for Nefecon and taniborbactam.

Net cash used in investing activities for the year ended 31 December 2019 was RMB47.4 million, primarily attributable to (i) our purchase of intangible assets of RMB86.2 million in connection with our milestone payments for etrasimod, eravacycline and ralinepag and (ii) our prepayment for the collaboration agreement with I-Mab in the amount of RMB52.5 million, partially offset by cash received as part of the Merger with Everest II in the amount of RMB98.4 million.

Net cash used in investing activities for the year ended 31 December 2018 was RMB406.3 million, primarily attributable to (i) our purchase of intangible assets of RMB209.0 million in connection with upfront and milestone payments for FGF401, etrasimod, ralinepag and eravacycline and (ii) prepayment for the collaboration agreement with I-Mab in the amount of RMB172.7 million.

Financing Activities

Net cash generated from financing activities for the three months ended 31 March 2020 was RMB102.9 million, primarily attributable to proceeds from issuance of financial instruments issued to investors in the amount of RMB104.6 million.

Net cash used in financing activities for the year ended 31 December 2019 was RMB62.0 million, primarily attributable to the borrowing from Everest II in the amount of RMB70.3 million.

Net cash generated from financing activities for the year ended 31 December 2018 was RMB461.4 million, primarily attributable to proceeds from issuance of RMB463.6 million of Series A-2, Series B-1 and Series B-2 Preferred Shares to investors.

Cash Operating Costs

Our cash operating costs primarily consist of research and development expenses and licensing fees. The following table sets forth key information relating to cash operating costs incurred by us relating to our Core Drug Candidates for the periods indicated:

	Years Ended 31 December		Three Months Ended 31 March
	2018	2019	2020
	(RMB in thousands)		
Clinical trial expenses	10,541	43,559	17,373
Licensing fees	69,656	68,953	—
Staff costs	9,217	15,443	5,675

Net Current Assets/(Liabilities)

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of 31 December		As of 31 March	As of 31 July
	2018	2019	2020	
	(RMB in thousands)			(unaudited)
Current assets				
Amounts due from related parties	24,093	18,616	4,061	2,794
Prepayments and other current assets	2,219	6,476	6,885	6,759
Cash and cash equivalents	183,503	106,061	73,465	1,594,358
Total current assets	209,815	131,153	84,411	1,603,911
Current liabilities				
Financial instruments issued to investors	126,283	395,318	452,029	—
Lease liabilities	5,820	10,543	18,089	13,259
Trade and other payables	25,136	80,779	96,138	83,160
Amounts due to related parties	2,686	17,233	17,092	3,173
Total current liabilities	159,925	503,873	583,348	99,592
Net current assets/(liabilities)	49,890	(372,720)	(498,937)	1,504,319

We had net current assets of RMB49.9 million as of 31 December 2018, and net current liabilities of RMB372.7 million as of 31 December 2019. Our current assets decreased primarily due to a decrease in cash and cash equivalents of RMB77.4 million. For a discussion of our changes in cash and cash equivalents, see "—Cash and Cash Equivalents" above. Our current liabilities increased primarily due to an increase in financial instruments issued to investors. For a discussion of our financial instruments issued to investors, see "—Financial Instruments Issued to Investors" above. We had net current liabilities of RMB498.9 million as of 31 March 2020, consisting of current assets of RMB84.4 million and current liabilities of RMB583.3 million, primarily due to an increase in financial instruments issued to investors. We had net current assets of RMB1,504.3 million as of 31 July 2020, consisting of current assets of RMB1,603.9 million and current liabilities of RMB99.6 million, primarily due to an increase in cash and cash equivalents.

INDEBTEDNESS

The following table sets forth the breakdown of our financial indebtedness as of the dates indicated.

	As of 31 December		As of 31 March	As of 31 July
	2018	2019	2020	
	(RMB in thousands)			
				(unaudited)
Financial instruments issued to investors	1,622,749	2,859,251	2,547,194	5,009,940
Lease liabilities	16,738	40,759	49,238	41,188
Borrowings	—	—	—	353,050
Total	**1,639,487**	**2,900,010**	**2,596,432**	**5,404,178**

Financial instruments issued to investors

For a detailed description, see "History, Development and Corporate Structure—Reorganization" and note 21 and note 32 to the Accountant's Report in Appendix I to this document.

Borrowings

In March 2020, we and Jiashan Shanhe entered into an investment agreement, pursuant to which Jiashan Shanhe invested US$100 million, including US$50 million Series C-1 investment and US$50 million cash investment towards the registered capital of our subsidiary, Everest China, subject to a redemption right starting in the fourth year of the date of investment at 8% simple annual rate of return. We treat Jiashan Shanhe's contribution to the registered capital of Everest China as borrowings. For a detailed description of the investment from Jiashan Shanhe, see "History, Development and Corporate Structure—Reorganization" and note 32 to the Accountant's Report in Appendix I to this document.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, taking into account the financial resources available to us, including cash and cash equivalents, investments and the estimated net proceeds from the Listing, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses and general and administrative and operating costs, for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURES

The table below sets forth our capital expenditures for the periods indicated:

	Years ended 31 December		Three months ended 31 March
	2018	2019	2020
	(RMB in thousands)		
Purchases of property and equipment	2,904	7,083	2,675
Purchases of intangible assets	208,965	86,191	48,797
Total	211,869	93,274	51,472

During the Track Record Period, our capital expenditures primarily consisted of (i) purchase of intangible assets in connection with the upfront payments and milestone payments we made for our in-licensed product candidates and (ii) purchase of property and equipment in connection with the leasehold improvement of our Beijing and Shanghai offices.

We expect that our capital expenditures in 2020 will primarily consist of licensing fees and manufacturing-related costs. We intend to fund our future capital expenditures with our existing cash balance and proceeds from the Global Offering. See "Future Plans and Use of Proceeds" in this document for more details. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Operating Lease Commitments

We lease offices in Beijing, Shanghai and certain other cities under operating leases expiring on different dates. As of 31 March 2020, we had operating lease commitments of approximately RMB54.9 million recorded under lease liabilities on a present value basis. The following table sets forth our commitments for future minimum lease payments under our operating leases which fall due as indicated:

	As of 31 December		As of 31 March
	2018	2019	2020
	(RMB in thousands)		
Less than 1 year	6,028	10,893	18,424
Between 1 and 2 years	6,249	9,189	11,767
Between 2 and 5 years	7,709	23,750	23,117
Over 5 years	—	3,222	1,611
Total	19,986	47,054	54,919

Other than disclosed above, we did not have operating and capital commitments.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including market risk (including foreign exchange risk), credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. Save as disclosed below, we did not hedge or consider necessary to hedge any of these risks as of the Latest Practicable Date. For further details, see note 3 to the Accountant's Report set out in Appendix I to this document.

Credit Risk

We have the following types of financial assets that are subject to the expected credit loss model: amount due from related parties, other receivables, and cash and cash equivalents. The carrying amounts of amount due from related parties, other receivables and cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

Management has assessed that during the Track Record Period, amount due from related parties and other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. We do not expect any losses from non-performance by the counterparties of amount due from related parties and other receivables and no loss allowance provision for amount due from related parties and other receivables was recognised.

We expect that there is no significant credit risk associated with cash and cash equivalents. Our management does not expect that there will be any significant losses from non-performance by these counterparties.

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents. We have financed our working capital through issuance of Preferred Shares and convertible notes. Our management monitors rolling forecasts of our liquidity reserve on the basis of expected cash flows. Details of the maturity profile of our financial liabilities are set out in note 3.1 (c) to the Accountant's Report set out in Appendix I.

TRANSACTIONS WITH RELATED PARTIES

Transactions

We had the following transactions during the Track Record Period with certain related parties:

	Year ended 31 December		Three months ended 31 March
	2018	2019	2020
	(RMB in thousands)		
Provision of consultancy services to related parties[1]			
— Everest II	19,511	101,024	—
— C-Bridge Capital	5,075	13,734	3,683
— Affamed	—	3,117	761
— CMAB	—	3,367	1,395
— Nikang	757	218	27
Rental fees charged to Kangshida[2]	—	434	329
Management consultancy services provided by related parties			
— C-Bridge Value Creation Limited	—	—	12,896
— CBC Group Investment Management Ltd.	—	—	1,245
— Everest Management Holding Co., Ltd.	—	2,507	—
— C-Bridge Capital	2,596	—	—
Payments to I-Mab for commercialisation right[3]	172,742	52,533	—
Borrowings from Everest II[4]	—	70,298	—

Notes:

(1) We provided consultancy services in the field of business development, clinical development, related platform support and other administrative supports to related parties.

(2) Rental fees were related to our lease of office space to C-Bridge Capital.

(3) See "—Discussion of certain selected items from the consolidated statements of financial position—Investments" for details of our collaboration with I-Mab.

(4) These borrowings are non-trade in nature, interest-free, unsecured and repayable on demand. These borrowings had been eliminated upon closing of the Merger.

Balances

The below table sets forth the balances with related parties as of the dates indicated.

	Year ended 31 December		Three months ended 31 March
	2018	2019	2020
	(RMB in thousands)		
Amount due from related parties[1]			
— Everest II	20,185	—	—
— Kangshida	—	241	—
— C-Bridge Capital	3,124	13,821	—
— Nikang	784	1,017	1,062
— CMAB	—	2,742	1,418
— Affamed	—	795	1,581
Total	24,093	18,616	4,061
Amount due to related parties[2]			
— C-Bridge Value Creation Limited	—	—	13,108
— Everest Management Holding Co., Ltd.	—	13,255	—
— CBC Group Investment Management, Ltd.	—	3,978	3,984
— C-Bridge Capital	2,686	—	—
Total	2,686	17,233	17,092

Notes:

(1) The above balances with related parties were mainly denominated in U.S. dollars. They were unsecured, trade in nature and non-interest bearing.

(2) The above balances with related parties were mainly denominated in U.S. dollars. They were unsecured, trade in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

As of 31 December 2018 and 2019 and 31 March 2020, all balances with our related parties were non-interest bearing, and their fair values approximated their carrying amounts due to their short maturities. Receivables from C-Bridge Capital primarily consist of lease payments. Trade payables to Everest Management Holding Co., Ltd. increased significantly in the year ended 31 December 2019 compared with the year ended 31 December 2018 because of the increase in services fees charged by Everest Management Holding Co., Ltd..

It is the view of our Directors that each of the above transactions (i) was conducted in the ordinary and usual course of business and on normal commercial terms with each related party, and (ii) does not make our historical results not reflective of our future performance. For details, see note 28 to Accountant's Report set out in Appendix I.

In July 2020, we made a loan in principal amount of US$325 thousand to one of our executive directors. The loan has a term of three years and a simple interest rate of 5.0% per annum. The principal and accrued interest will be paid on the maturity date.

DIVIDENDS

In April 2018, we distributed our entire equity interests in NiKang Therapeutics., Inc., or Nikang, a company incubated by us who mainly engages in small molecule oncology drug discovery in the U.S., to our shareholder C-Bridge Investment Everest Limited as dividend in specie. Except for this, we have never declared or paid any dividends on our ordinary shares or any other securities during the Track Record Period. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the

foreseeable future. Investors should not purchase our ordinary shares with the expectation of receiving cash dividends.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our shares with the expectation of receiving cash dividends.

DISTRIBUTABLE RESERVES

As of 31 March 2020, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$203.9 million (including underwriting commission), assuming an Offer Price of HK$52.50 per Share (being the mid-point of the indicative Offer Price range of HK$50.00 to HK$55.00 per Share), assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Share Schemes. No such expenses were recognized and charged to our consolidated statements of profit or loss for the Track Record Period. After 31 March 2020, approximately HK$43.2 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$160.7 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of 31 March 2020 as if the Global Offering had taken place on 31 March 2020.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2020 or at any future dates following the Global Offering.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 March 2020[1]	Estimated impact to the net tangible assets upon conversion of the Series A-1, Series A-2, Series B-1, Series B-2, and Series B-3[2]	Estimated net proceeds from the Global Offering[3]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2020	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB[4]	HK$[5]
Based on an Offer Price of HK$50 per Offer Share	(2,288,884)	2,080,145	2,608,540	2,399,801	12.16	13.89
Based on an Offer Price of HK$55 per Offer Share	(2,288,884)	2,080,145	2,874,076	2,665,337	13.51	15.44

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 March 2020 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as at 31 March 2020 of RMB549,872,000 with adjustments for the intangible assets as at 31 March 2020 of RMB1,739,012,000.

(2) The Company's Series A-1 Convertible Redeemable Preferred Shares, Series A-2 Convertible Redeemable Preferred Shares, Series B-1 Convertible Redeemable Preferred Shares, Series B-2 Convertible Redeemable Preferred Shares, and Series B-3 Convertible Redeemable Preferred Shares are all required to be converted into ordinary shares upon the Listing. The adjustment represents the impact of the conversion of all these preferred shares into ordinary shares on the net tangible liabilities attributable to the equity holders. The estimated impact is RMB2,080,145,000, being the carrying amount of the Series A-1 Convertible Redeemable Preferred Shares, Series A-2 Convertible Redeemable Preferred Shares, Series B-1 Convertible Redeemable Preferred Shares, Series B-2 Convertible Redeemable Preferred Shares, and Series B-3 Convertible Redeemable Preferred Shares as at 31 March 2020.

(3) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$50 and HK$55 per Offer Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any options which may be granted under the Share Schemes (including the 297,248 Shares have been issued upon the exercise of stock option by employees subsequent to 31 March 2020), or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in "Share Capital".

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Notes 2 and 3 above and on the basis that 197,282,029 Shares (including the completion of the conversion of the preferred shares into ordinary shares as mentioned in the Note 2 above to be effective upon Listing) were in issue assuming that Global Offering had been completed on 31 March 2020 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Share Schemes (including the 297,248 Shares have been issued upon the exercise of stock option by employees subsequent to 31 March 2020), or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as set out in the section headed "Share Capital" in this document, and takes no account of any Shares which may be issued pursuant to the conversion of the convertible notes and the exercise of warrant liabilities as at 31 March 2020, or the 86,111,112 Shares of convertible redeemable preferred shares to be issued subsequent to 31 March 2020.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.87516 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Subsequent to 31 March 2020, the Company issued 83,333,334 Shares of convertible redeemable preferred shares with aggregate principal amount of approximately RMB2,102,575,000. Among it, approximately RMB373,038,000 of the convertible redeemable preferred shares was converted from all of the outstanding convertible notes as at 31 March 2020. Upon completion of the Listing, these convertible redeemable preferred shares will be converted to ordinary shares of the Company at the number of 86,111,112 after considering the down-round adjustment of conversion price. Also, all of the outstanding warrant liabilities as at 31 March 2020 were all cancelled.

Subsequent to 31 March 2020, the Company issued 297,248 Shares under the Share Schemes to the employees upon their exercise of stock options.

The pro forma net tangible asset per Share presented above has not taken into account the effect of the conversion of convertible redeemable preferred shares upon completion of the Listing, the conversion of the convertible notes, the cancellation of warrant liabilities and the issuance of shares under the Share Schemes upon the exercise of stock options by employees as set out in the preceding paragraphs. If presented on that basis, the pro forma net tangible asset per Share would have been RMB15.88 (based on the Offer Price of HK$50 per Share) and RMB16.81 (based on the Offer Price of HK$55 per Share), respectively.

(7) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since 31 March 2020 (being the date on which our latest audited consolidated financial information was prepared) and there is no event since 31 March 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION OF EVEREST II

The table below sets forth the consolidated statements of profit or loss of Everest II for the periods indicated derived from the consolidated statements of profit or loss of Everest II set out in the Accountant's Report included in Appendix I to this document:

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of Merger)
	(RMB thousands)	
General and administrative expenses	(15,417)	(107,756)
Research and development expenses	(6,679)	(23,890)
Foreign exchange gain—net	—	514
Operating loss	**(22,096)**	**(131,132)**
Fair value change in financial instruments issued to investors	—	(170,190)
Loss before income tax	**(22,096)**	**(301,322)**
Income tax expense	—	—
Loss for the period	**(22,096)**	**(301,322)**

General and Administrative Expenses

General and administrative expenses primarily consist of service fees charged by us, and professional expenses incurred under agreements with consulting service providers.

Research and Development Expenses

Research and development expenses primarily consist of service fees charged by us.

Fair Value Change in Financial Instruments Issued to Investors

Fair value change in financial instruments issued to investors primarily reflects change in the fair value in the preferred shares issued to Everest II's investors.

The following table sets forth Everest II's cash flows for the periods indicated:

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of Merger)
	(in RMB thousands)	
Net cash outflow used in operating activities before movements in working capital[(1)]	(22,096)	(131,132)
Changes in working capital[(1)]	21,894	(37,743)
Net cash used in operating activities	(202)	(168,875)
Net cash used in investing activities	(69,156)	(655,498)
Net cash generated from financing activities	103,734	884,757
Net increase in cash and cash equivalents	34,281	64,161
Cash and cash equivalents at the beginning of the period	—	34,281
Cash and cash equivalents at the end of period	34,281	98,442

Note:

(1) The financial data of this item is closely derived from, but not directly extracted from, our consolidated financial statements as set out in the Accountant's Report included in Appendix I to this document.

Net Cash Used in Operating Activities

For the period from 24 August 2018 to 31 December 2018, Everest II's net cash used in operating activities was RMB0.2 million, and its loss before tax was RMB22.1 million. The difference was

attributable to the changes in working capital, primarily due to the amount due to a related party of RMB20.2 million.

For the period from 1 January 2019 to 25 November 2019, Everest II's net cash used in operating activities was RMB168.9 million, and its loss before tax was RMB301.3 million. The difference was primarily attributable to (i) the gains from the change in fair value of financial instruments of RMB170.2 million, and (ii) changes in working capital, primarily due to the amount due from a related party of RMB30.7 million.

Net Cash Used in Investing Activities

For the period from 24 August 2018 to 31 December 2018, Everest II's net cash used in investing activities was RMB69.2 million, which was attributable to licensing fee of RMB34.6 million and investment in Venatorx of RMB34.6 million.

For the period from 1 January 2019 to 25 November 2019, Everest II's net cash used in investing activities was RMB655.5 million, which was attributable to licensing fee of RMB585.2 million and loan provided to a related party of RMB70.3 million.

Net Cash Generated from Financing Activities

For the period from 24 August 2018 to 31 December 2018, Everest II's net cash generated from financing activities was RMB103.7 million, which was attributable to the proceeds from issuance of financial instruments issued to investors.

For the period from 1 January 2019 to 25 November 2019, Everest II's net cash generated from financing activities was RMB884.8 million, which was primarily attributable to the proceeds from issuance of financial instruments to investors of RMB881.2 million.

FUTURE PLANS

See "Business — Strategies" for details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$3,132.4 million after deducting the underwriting fees and expenses related to the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$52.50 per Offer Share, being the mid-point of the indicative Offer Price range of HK$50.00 to HK$55.00 per Offer Share in this document. We intend to use the net proceeds we will receive from this offering for the following purposes:

- 60%, or approximately HK$1,879.4 million, to our four anchor products as follows:
  - (i) 15%, or approximately HK$469.9 million, to fund ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of eravacycline, one of our Core Drug Candidates;
  - (ii) 15%, or approximately HK$469.9 million, to fund ongoing and planned clinical trials (including any potential clinical studies for new indications if appropriate), preparation for registration filings and other steps or activities related to commercialization (including provision of scientific and clinical support by medical affairs team, key opinion leader development, strategic planning and market access analysis) of etrasimod, one of our Core Drug Candidates;
  - (iii) 20%, or approximately HK$626.5 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercialization of sacituzumab govitecan;
  - (iv) 10%, or approximately HK$313.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercialization of Nefecon.
- 15%, or approximately HK$469.9 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercialization of other drug candidates in our pipeline.
- 15%, or approximately HK$469.9 million, to fund our business development activities and the expansion of our drug pipeline. To further expand our portfolio, we will continue to bring in high-value and differentiated innovative assets with attractive risk-return profiles for our four current core therapeutic areas. We intend to in-license one or two new assets each year, if practicable.
- 10%, or approximately HK$313.2 million, for working capital and general and administrative purposes.

The table below specifies the further breakdown for net proceeds to be allocated to different stages of each of our Core Drug Candidates, other anchor assets and other pipeline products.

	Net Proceeds to Be Allocated			
	Clinical Trials[1]	Commercialization[1]	Latest Development Stage	Future Development Plan and Expected Timetable
Eravacycline (Xerava)	7.5%, or approximately HK$234.9 million	7.5%, or approximately HK$234.9 million	• Conducting a Phase 3 registrational study for eravacycline in cIAI patients in China • Received NDA approval in Singapore in cIAI	• Second half 2020 — Anticipated topline data readout of our Phase 3 registrational study • Second half 2020 — Submit an IND to the NMPA for a phase 3 registrational trial comparing eravacycline to standard of care in moderate to severe hospitalized CABP patients • By the end of 2020 — Initiate commercial activities in Singapore
Etrasimod	11%, or approximately HK$344.6 million	4%, or approximately HK$125.3 million	Phase 3 registrational trial in UC patients in Mainland China, Taiwan and South Korea	• 2021 — Complete enrollment in Phase 3 registrational trial in UC • Evaluate the option of developing etrasimod through joint global Phase 3 studies depending on Arena's data readout in a broad array of exploratory Phase 2 trials in Crohn's disease, atopic dermatitis, EOE and AA
Sacituzumab govitecan	17%, or approximately HK$532.5 million	3%, or approximately HK$94.0 million	Received 001 Trial IND approval from the NMPA	• Second half 2020 — Anticipated initiation of registrational bridging trial in mTNBC patients who received at least two prior therapies for metastatic disease • First half 2021 — Complete enrollment in registrational bridging trial in mTNBC patients who received at least two prior therapies for metastatic disease • 2021 — IND approval and initiation of registrational trial in HR+/HER2- mBC patients who received at least two prior therapies for metastatic disease • 2021 — IND approval and initiation of multi-regional clinical trial in metastatic urothelial cancer as a second-/third-line treatment • 2021 — IND approval and initiation of a basket study covering several tumor types of high incidence in Asia • Second half 2021 / first half 2022 — BLA filing for later-line mTNBC indication in China

	Net Proceeds to Be Allocated			
	Clinical Trials[1]	Commercialization[1]	Latest Development Stage	Future Development Plan and Expected Timetable
Nefecon	6%, or approximately HK$187.9 million	4%, or approximately HK$125.3 million	Received IND approval to conduct a registrational trial of Nefecon in IgAN patients in China	• Second half 2020 — Join Calliditas's global Phase 3 NefIgArd registrational trial in IgAN • First half 2021 — Complete China enrolment of Phase 3 NefIgArd registrational trial
Ralinepag	3%, or approximately HK$94.0 million	—	• Received regulatory approval to conduct a pharmacokinetics study of ralinepag in China and join the global registrational ADVANCE OUTCOMES trial and OLE study of ralinepag in PAH patients • Phase 3 registrational trial in collaboration with United Therapeutics	Second half of 2020 — Initiate PK study
Taniborbactam	4%, or approximately HK$125.3 million	—	Received regulatory approval to conduct a pharmacokinetics bridging study of taniborbactam in China and also joint development of cefepime-taniborbactam in cUTI patients in China by joining the global registrational trial sponsored by Venatorx	• Second half of 2020 — Initiate the PK bridging study • 2021 — Complete both the registrational trial and the PK bridging study
SPR206	4%, or approximately HK$125.3 million	—	—	Submit an IND application with the NMPA for SPR206 after the completion of Spero's global Phase 1 studies
FGF401	4%, or approximately HK$125.3 million	—	Phase 1b/2 trial in solid tumor patients	2022 — Initiate a registrational trial of FGF401 in HCC patients in 2022

Note:

(1) Including related milestone payments to our licensing partners

If the Offer Price is set at the high point or the low point of the indicative Offer Price range (assuming the Over-allotment Option is not exercised), the net proceeds will increase or decrease by approximately HK$151.7 million, respectively. We will apply the additional or reduced net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK$477.9 million, assuming an Offer Price of HK$52.50 per Share, being the mid-point of the indicative Offer Price range.

If the net proceeds of the Global Offering are not immediately required for the above purposes, we will hold such funds in short-term deposits (with a term no longer than one year) with licensed banks.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.

Merrill Lynch (Asia Pacific) Limited

Citigroup Global Markets Asia Limited

China International Capital Corporation Hong Kong Securities Limited

Credit Suisse (Hong Kong) Limited

Nomura International (Hong Kong) Limited

Brocade River Asset Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement entered into on 24 September 2020, we are offering 6,355,000 Hong Kong Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this document and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned in this document (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, and any additional Shares which may be issued pursuant to the Share Schemes) and such approval not having been withdrawn, and to (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly to subscribe, or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this document and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

  (i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international

emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism), in or affecting the Cayman Islands, BVI, Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, BVI, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(v) any new laws and regulations, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws and regulations, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) any imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions or any other jurisdiction relevant to the Company; or

(vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(ix) a Director or a member of the Group's senior management as named in this document being charged with an indictable offense or prohibited by operation of laws and regulations or otherwise disqualified from taking part in the management or taking directorship of a company; or

(x) any Director or a member of the Group's senior management as named in this document vacating his or her office; or

(xi) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws and regulations; or

(xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any shares issue under the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this document (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this document (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) any change or development involving a prospective change in, or a materialization of any of the risks set out in the section headed "Risk Factors" of this document; or

(xvii) any order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xviii) a valid demand by any creditor for repayment or payment of any of the Company's indebtedness or in respect of which the Company is liable prior to its stated maturity, or any loss or damage sustained by the Company (howsoever caused and whether or not the subject of any insurance or claim against any person),

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives and the Joint Sponsors (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Representatives and the Joint Sponsors:

(i) that any statement contained in any of this document, the Green Application Form, the formal notice, the price determination agreement, the receiving bank agreement, the cornerstone investment agreements, the agreements between the Company and Computershare Hong Kong Investor Services Limited, the preliminary offering circular,

and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering and the International Offering (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto, but excluding the information relating to the Underwriters for use in the Offer Related Documents, namely the marketing name, legal name, logo and address of such underwriters) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this document, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement, the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or

(v) any breach on the part of the Company and/or the covenantors of any provisions of or obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement in any material respect; or

(vi) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or

(vii) any of the experts specified in this document has withdrawn its respective consent to the issue of this document with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(viii) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement); or

(ix) that approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional Shares to be issued pursuant to the Over-Allotment Option and the Share Schemes) pursuant to the terms of the Global Offering; or

(xi) the Company withdraws any of the Offer Related Documents or the Global Offering.

then the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except:

(a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering (including the Over-allotment Option).

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the offer and issue of the Offer Shares pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option), or any Shares to be issued under the Share Schemes, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure that each other member of our Group will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, debt capital or other securities of the Company or any shares, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree or announce, or publicly disclose, any intention to effect any transaction described in (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or shares, or in cash or otherwise (whether or not such allotment or issue of the Shares or securities will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months commencing on the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in our Shares or any other securities of our Company.

Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each Controlling Shareholder has undertaken to each of the Stock Exchange and our Company that, except pursuant to the Global Offering (including the Over-allotment Option) or the Stock Borrowing Agreement, he/she/it shall not and shall procure that the relevant registered holder(s) (if any) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of his or its shareholding is made in this document and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this document to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"); and

(ii) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

In addition, in accordance with Note 3 to Rule 10.07 of the Listing Rules, each Controlling Shareholder has undertaken to the Stock Exchange and our Company that, during the period commencing on the date by reference to which disclosure of its shareholding is made in this document and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any Shares beneficially owned by he/she/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Pursuant to the Hong Kong Underwriting Agreement, Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, and C-Bridge IV Investment Nine Limited have undertaken to each of our Company, the

Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Global Offering and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, and C-Bridge IV Investment Nine Limited will not, and procure that none of the CBC Group and its affiliates will not, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date that is twelve months after the Listing Date (the "**Lock-up Period**"):

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any Shares or other securities of the Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company (whether or not the issue of such Shares or other securities of the Company will be completed within the Lock-Up Period).

Without limiting the above, Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, and C-Bridge IV Investment Nine Limited have further undertaken to our Company that they will, and will procure the CBC Group, at any time during the Lock-up Period:

(i) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of the Company beneficially owned by them for a bona fide commercial loan, immediately inform the Company in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and

(ii) upon any indication received by them, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

The Company shall, as soon as practicable upon receiving such information in writing from any of Everest Management Holding Co., Ltd., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge IV Investment Two Limited, C-Bridge IV Investment Nine Limited and CBC Group and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Undertakings by Pre-IPO Investors

Each of our Pre-IPO Investors have entered into a lock-up undertaking letter (the "**Lock-up Undertakings**") in favor of the Company and the Joint Global Coordinators. Pursuant to the Lock-up Undertakings, the Pre-IPO Investors are subject to lock-up arrangements for a period of six (6) months after the Listing Date, subject to certain exceptions.

Indemnity

We have agreed to indemnify the Joint Global Coordinators, the Joint Representatives, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commission and Expenses and Joint Sponsors' Fee

The Joint Representatives (for themselves and on behalf of the Underwriters) will receive an underwriting commission equal to 3.0% of the aggregate Offer Price in respect of all Offer Shares in the Global Offering. In addition, at the discretion of our Company, the Joint Representatives and/or their respective affiliates may also receive an incentive fee of up to 1.5% of the aggregate Offer Price in respect of all Offer Shares (including any Shares to be issued pursuant to the exercise of the Over-allotment Option).

Assuming the Over-allotment Option is not exercised, without taking into account any Shares to be issued under the Share Schemes and based on an Offer Price of HK$52.50 (being the mid-point of our Offer Price range stated in this document), the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.005% per Share, SFC transaction levy of 0.0027% per Share, brokerage fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK$203.9 million, which is subject to adjustment to be agreed by the Company, the Joint Representatives and other parties.

An aggregate amount of US$600,000 (excluding expenses) is payable by the Company as sponsor fees to the Joint Sponsors.

Hong Kong Underwriters' Interests in Our Company

Save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offering Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offering Shares. Please refer to the section headed "Structure of the Global Offering—The International Offering" for details.

Over-allotment Option and Stabilization

For more details of the arrangements relating to the Over-allotment Option and stabilization, please refer to the section headed "Structure of the Global Offering" in this document.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares or the distribution of this document in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this document may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Public Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members," may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for the Stabilization Manager or its designated affiliate as the Stabilization Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to our Shares, those activities could include acting as

agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

(a) the Hong Kong Public Offering of initially 6,355,000 Offer Shares (subject to reallocation) in Hong Kong as described below in the section headed "—The Hong Kong Public Offering"; and

(b) the International Offering of initially 57,192,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the U.S. Securities Act.

Investors may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this document to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 6,355,000 Hong Kong Public Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.2% of our Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued under the Share Schemes).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "—Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes, Pool A and Pool B with any odd board lots being allocated to Pool A:

Pool A: The Hong Kong Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with a total subscription price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

Poor B: The Hong Kong Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with a total subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the "subscription price" for Hong Kong Public Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Public Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 3,177,500 Hong Kong Public Offer Shares (being 50% of the 6,355,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange require a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if the Offer Shares under the International Offering are fully subscribed or oversubscribed and certain prescribed total demand levels in the Hong Kong Public Offering are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 6,355,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 19,064,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be

reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 25,419,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 31,774,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives (for themselves and on behalf of the Underwriters) deem appropriate.

In addition, the Joint Representatives (for themselves and on behalf of the Underwriters) may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering, the Joint Representatives may, at their discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 12,709,000 Offer Shares, representing two times the number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the total number of Offer Shares initially available under the Global Offering and the final Offer Price will be fixed at the low end (i.e. HK$50.00) in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or

confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$55.00 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "—Pricing and Allocation" below, is less than the maximum price of HK$55.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Public Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 57,192,000, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 20.2% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Schemes.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "—Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives (for themselves and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed "—The Hong Kong Public Offering—Reallocation" above, the exercise of the Over-allotment Option in whole or in part described in the section headed "—Over-allotment Option", and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters).

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Representatives (for themselves and on behalf of the Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 9,532,000 additional Offer Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 3.3% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option (and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Schemes). In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

Goldman Sachs (Asia) L.L.C. has been appointed by us as the Stabilization Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilization Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilization Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilization Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilization Manager will consider, among other things, the price of Offer Shares in the open market

as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 9,532,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end

on Friday, 30 October 2020. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilization Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, Goldman Sachs International (or its affiliate(s)) may choose to borrow up to 9,532,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from C-Bridge Investment Everest Limited pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 30 September 2020 and in any event on or before Thursday, 8 October 2020, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the offer price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK$55.00 per Offer Share and is expected to be not less than HK$50.00 per Offer Share.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$55.00 per each Hong Kong Public Offer Share (plus 1% brokerage, 0.0027% SFC

transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK$55.00, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 8 October 2020 the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be posted on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.everestmedicines.com**, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or the indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this document and any other financial information which may change materially as a result of such reduction.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the offer price range as stated in this document. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received, and all unconfirmed applications will not be valid.

In the event of a reduction in the number of Offer Shares, the Joint Representatives (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Public Offer Shares are expected to be announced on Thursday, 8 October 2020 on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.everestmedicines.com**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Joint Representatives, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting."

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any additional Shares which may be issued upon the exercise of any options which may be granted under the Share Schemes, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Joint Representatives (for themselves and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Thursday, 8 October 2020 the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the

Hong Kong Public Offering will be published by our Company on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **www.everestmedicines.com** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offer Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker(s) or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option and any Shares which may be issued under the Share Schemes).

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 9 October 2020 it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 9 October 2020. Our Shares will be traded in board lots of 500 Shares. The stock code of our Shares will be 1952.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this document or any printed copies of any application forms for use by the public.

This document is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.everestmedicines.com**. If you require a printed copy of this document, you may download and print from the website addresses above.

The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

If you have any questions about the application for the Hong Kong Public Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 (i) from 9:00 a.m. to 9:00 p.m. on Friday, 25 September 2020, Monday, 28 September 2020 and Tuesday, 29 September 2020, (ii) from 9:00 a.m. to 6:00 p.m. on Saturday, 26 September 2020 and Sunday, 27 September 2020, and (iii) from 9.00 a.m. to 12:00 noon on Wednesday, 30 September 2020.

HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for the Hong Kong Public Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (a) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or

   (b) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Public Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(a) or (2)(b) above, the Hong Kong Public Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

WHO CAN APPLY

Eligibility for the Application

You can apply for the Hong Kong Public Offer Shares if you or any person(s) for whose benefit you are applying:

(a) are 18 years of age or older; and

(b) have a Hong Kong address.

If an application is made by a person under a power of attorney, we and the Joint Representatives may accept it at their discretion, and on any conditions we think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange you cannot apply for any Hong Kong Public Offer Shares if:

(a) you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;

(b) you are the Company's director or chief executive and/or a director or chief executive officer of its subsidiaries;

(c) you are a close associate of any of the above persons;

(d) you are a core connected person of the Company or a person who will become a core connected person of the Company immediately upon the completion of the Global Offering; or

(e) you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Items Required for the Application

If you apply for the Hong Kong Public Offer Shares online through the **White Form eIPO** service, you must:

(a) have a valid Hong Kong identity card number; and

(b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Public Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this document you:

(a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as their agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Company's Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law;

(c) confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;

(d) confirm that you have received and read this document and have relied only on the information and representations in this document in making your application and will not rely on any other information or representations, except those in any supplement to this document;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this document;

(f) agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Underwriters, any of them or the Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this document (and any supplement to this document);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data that any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this document;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

(l) warrant that the information you have provided is true and accurate;

(m) agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated to you under the application;

(n) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you and such other registers as required under the Company's Memorandum and Articles of Association and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "—Personal Collection" below to collect the Share certificate(s) and/or refund check(s) in person;

(o) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(p) understand that the Company, its directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(q) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(r) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Public Offer Shares applied for	Amount payable on application HK$
500	27,777.12	8,000	444,433.88	70,000	3,888,796.45	600,000	33,332,541.00
1,000	55,554.24	9,000	499,988.12	80,000	4,444,338.80	700,000	38,887,964.50
1,500	83,331.36	10,000	555,542.35	90,000	4,999,881.15	800,000	44,443,388.00
2,000	111,108.47	15,000	833,313.53	100,000	5,555,423.50	900,000	49,998,811.50
2,500	138,885.59	20,000	1,111,084.70	150,000	8,333,135.25	1,000,000	55,554,235.00
3,000	166,662.71	25,000	1,388,855.88	200,000	11,110,847.00	1,500,000	83,331,352.50
3,500	194,439.83	30,000	1,666,627.05	250,000	13,888,558.75	2,000,000	111,108,470.00
4,000	222,216.94	35,000	1,944,398.23	300,000	16,666,270.50	2,500,000	138,885,587.50
4,500	249,994.06	40,000	2,222,169.40	350,000	19,443,982.25	3,177,500[1]	176,523,581.72
5,000	277,771.18	45,000	2,499,940.58	400,000	22,221,694.00		
6,000	333,325.41	50,000	2,777,711.75	450,000	24,999,405.75		
7,000	388,879.65	60,000	3,333,254.10	500,000	27,777,117.50		

Note:

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

No application for any other number of the Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "—Who can apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Public Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8600 which is available (i) from 9:00 a.m. to 9:00 p.m. on Friday, 25 September 2020, Monday, 28 September 2020 and Tuesday, 29 September 2020, (ii) from 9:00 a.m. to 6:00 p.m. on Saturday, 26 September 2020 and Sunday, 27 September 2020, and (iii) from 9:00 a.m. to 12:00 noon on Wednesday, 30 September 2020.

Time for submitting applications under the White Form eIPO service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, 25 September 2020 until 11:30 a.m. on Wednesday, 30 September 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 30 September 2020, the last day for applications, or such later time as described in "Effect of bad weather and Extreme Conditions on the opening and closing of the application lists" below.

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Everest Medicines Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

APPLYING THROUGH CCASS EIPO SERVICE

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Sponsors, the Joint Representatives and the Hong Kong Share Registrar.

Applying through CCASS EIPO service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this document; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- *(if the electronic application instructions are given for your benefit)* declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
- confirm that you understand that the Company, its directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorize the Company to place HKSCC Nominees' name on its register of members as the holder of the Hong Kong Public Offer Shares allocated to you, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;
- confirm that you have received and read this document and have relied only on the information and representations in this document in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this document;

- agree that neither the Company nor any of the Relevant Persons is or will be liable for any information and representations not in this document (and any supplement to this document);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company's agreement that it will not offer any Hong Kong Public Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this document. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this document;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the results of the Hong Kong Public Offering;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with its Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

(a) instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

(b) instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

(c) instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this document.

Time for inputting electronic application instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 25 September 2020 – 9:00 a.m. to 8:30 p.m.
Saturday, 26 September 2020 – 8:00 a.m. to 1:00 p.m.
Monday, 28 September 2020 – 8:00 a.m. to 8:30 p.m.
Tuesday, 29 September 2020 – 8:00 a.m. to 8:30 p.m.
Wednesday, 30 September 2020 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 25 September 2020 until 12:00 noon on Wednesday, 30 September 2020 (24 hours daily, except on Wednesday, 30 September 2020, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 30 September 2020, the last day for applications, or such later time as described in "Effect of bad weather and Extreme Conditions on the opening and closing of the application lists" below.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

Personal data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal information collection statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Public Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Public Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Public Offer Shares or transferring the Hong Kong Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Public Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Public Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Public Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

(a) processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this document and announcing results of allocation of the Hong Kong Public Offer Shares;

(b) compliance with applicable laws and regulations in Hong Kong and elsewhere;

(c) registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;

(d) maintaining or updating the Company's Register of Members;

(e) verifying identities of the holders of the Company's Shares;

(f) establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;

(g) distributing communications from the Company and its subsidiaries;

(h) compiling statistical information and profiles of the holder of the Company's Shares;

(i) disclosing relevant information to facilitate claims on entitlements; and

(j) any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Public Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

(a) the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

(b) where applicants for the Hong Kong Public Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

(c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;

(d) the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

(e) any persons or institutions with which the holders of the Hong Kong Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Public Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the *Personal Data (Privacy) Ordinance*.

Access to and correction of personal data

Holders of the Hong Kong Public Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Public Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons, the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 30 September 2020.

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Public Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an unlisted company makes an application and:

(a) the principal business of that company is dealing in securities; and

(b) you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

(a) control the composition of the board of directors of the company;

(b) control more than half of the voting power of the company; or

(c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price is HK$55.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Public Offer Shares, you will pay HK$27,777.12.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for the Hong Kong Public Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Public Offer Shares. If you make an **electronic application instruction** for more than 500 Hong Kong Public Offer Shares, the number of Hong Kong Public Offer Shares you apply for must be in one of the specified numbers set out in "How To Apply for Hong Kong Public Offer Shares—Applications for the Hong Kong Public Offer Shares—Minimum application amount and permitted numbers."

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—Pricing and allocation."

EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 September 2020. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 30 September 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," the Company will make an announcement on its website at **www.everestmedicines.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

PUBLICATION OF RESULTS

The Company expects to announce the pricing of the Offer Shares on Thursday, 8 October 2020 on its website at **www.everestmedicines.com** and on the website of the Stock Exchange at **www.hkexnews.hk**.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offer Shares on Thursday, 8 October 2020 on its website at **www.everestmedicines.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

(a) in the announcement to be posted on the Company's website and the website of the Stock Exchange at **www.everestmedicines.com** and **www.hkexnews.hk**, respectively, by no later than Thursday, 8 October 2020;

(b) from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Thursday, 8 October 2020 to 12:00 midnight on Wednesday, 14 October 2020; and

(c) from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, 8 October 2020 to Friday, 9 October 2020, and Monday, 12 October 2020 to Tuesday, 13 October 2020.

If the Company accepts your offer to purchase (in whole or in part), which the Company may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(a) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this document; or

(b) if any supplement to this document is issued, in which case the Company will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If:

(a) you make multiple applications or are suspected of making multiple applications;

(b) you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Public Offer Shares and the International Offer Shares;

(c) your payment is not made correctly;

(d) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;

(e) you apply for more than 3,177,500 Hong Kong Public Offer Shares, being 50% of the 6,355,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering;

(f) the Company or the Joint Representatives believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or

(g) the Underwriting Agreements do not become unconditional or are terminated.

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "Structure of the Global Offering—Conditions of the Global Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Thursday, 8 October 2020.

DESPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Public Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Thursday, 8 October 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 9 October 2020 provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in "Underwriting" has not been exercised.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

If you apply through **White Form eIPO** service:

(a) If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 8 October 2020, or any other place or date notified by the Company.

(b) If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

(c) If you apply for less than 1,000,000 Hong Kong Public Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 8 October 2020 by ordinary post and at your own risk.

(d) If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

If you apply through **CCASS EIPO** service:

Allocation of the Hong Kong Public Offer Shares

(a) For the purposes of allocating the Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

(a) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 8 October 2020 or on any other date determined by HKSCC or HKSCC Nominees.

(b) The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offer Shares in the manner as

described in "—Publication of results" above on Thursday, 8 October 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 8 October 2020 or such other date as determined by HKSCC or HKSCC Nominees.

(c) If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you can also check the number of the Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

(d) If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 8 October 2020. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(e) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 8 October 2020.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

The Company has made all necessary arrangements to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EVEREST MEDICINES LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND MERRILL LYNCH FAR EAST LIMITED

Introduction

We report on the historical financial information of Everest Medicines Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-93, which comprises the consolidated statements of financial position as at 31 December 2018 and 2019 and 31 March 2020, the company statements of financial position as at 31 December 2018 and 2019 and 31 March 2020, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-93 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 September 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in*

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Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 2019 and 31 March 2020 and the consolidated financial position of the Group as at 31 December 2018 and 2019 and 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
25 September 2020

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Years ended 31 December		Three months ended 31 March	
		2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
General and administrative expenses	5	(72,096)	(53,851)	(8,112)	(68,148)
Research and development expenses	5	(55,911)	(150,888)	(22,808)	(80,184)
Distribution and selling expense	5	—	—	—	(2,800)
Other income	6	1,009	29,253	1,055	226
Other losses	7	(184)	(626)	(433)	(73)
Operating loss		(127,182)	(176,112)	(30,298)	(150,979)
Finance costs—net	8	(1,325)	(1,947)	(403)	(573)
Fair value change in financial instruments issued to investors	21	(863,167)	(36,453)	129,824	455,511
(Loss)/Profit before income tax		(991,674)	(214,512)	99,123	303,959
Income tax expense	10	—	—	—	—
(Loss)/Profit for the year/ period attributable to the equity holders of the Company		(991,674)	(214,512)	99,123	303,959
Other comprehensive (loss)/income:					
Items that will not be reclassified to profit or loss:					
Change in foreign currency translation adjustments		(31,659)	(15,314)	17,924	(8,225)
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	16	—	—	—	(18,423)
Other comprehensive (loss)/ income		(31,659)	(15,314)	17,924	(26,648)
Total comprehensive (loss)/income for the year/period attributable to the equity holders of the Company		(1,023,333)	(229,826)	117,047	277,311
Basic (loss)/profit per share for (loss)/profit attributable to the equity holders of the Company	12	(726.92)	(41.04)	39.84	12.29
Diluted (loss)/profit per share for (loss)/profit attributable to the equity holders of the Company	12	(726.92)	(41.04)	(0.21)	(0.68)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2018	As at 31 December 2019	As at 31 March 2020
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property and equipment	13	3,003	7,725	9,720
Right-of-use assets	14	15,675	38,352	44,915
Intangible assets	15	314,746	1,663,449	1,739,012
Investments	16	—	293,000	278,849
Other non-current assets	17	179,933	3,261	2,883
		513,357	2,005,787	2,075,379
Current assets				
Amounts due from related parties	28	24,093	18,616	4,061
Prepayments and other current assets	19	2,219	6,476	6,885
Cash and cash equivalents	20	183,503	106,061	73,465
		209,815	131,153	84,411
Total assets		723,172	2,136,940	2,159,790
Liabilities				
Non-current liabilities				
Financial instruments issued to investors	21	1,496,466	2,463,933	2,095,165
Lease liabilities	22	10,918	30,216	31,149
Other non-current liabilities		3,432	—	—
		1,510,816	2,494,149	2,126,314
Current liabilities				
Financial instruments issued to investors	21	126,283	395,318	452,029
Lease liabilities	22	5,820	10,543	18,089
Trade and other payables	23	25,136	80,779	96,138
Amounts due to related parties	28	2,686	17,233	17,092
		159,925	503,873	583,348
Total liabilities		1,670,741	2,998,022	2,709,662
Equity				
Equity attributable to the equity holders of the Company				
Share capital	24	2	17	17
Reserves	26	127,351	443,649	477,548
Accumulated deficit	26	(1,043,339)	(1,257,851)	(953,892)
Accumulated other comprehensive losses	26	(31,583)	(46,897)	(73,545)
Total equity in deficit		(947,569)	(861,082)	(549,872)
Total equity and liabilities		723,172	2,136,940	2,159,790

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2018	As at 31 December 2019	As at 31 March 2020
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property and equipment		—	5,581	7,856
Intangible assets	15	161,285	251,143	255,064
Investments in subsidiaries	1, 31	297,673	1,832,135	1,897,074
Investments	16	—	258,119	243,423
Right-of-use assets		—	—	8,847
Other non-current assets	17	178,715	—	—
		637,673	2,346,978	2,412,264
Current assets				
Amounts due from related parties	28	21,060	3,763	110
Amounts due from subsidiaries	31	—	19,577	49,374
Prepayments and other current assets	19	—	1,448	1,471
Cash and cash equivalents	20	146,396	4,384	36,879
		167,456	29,172	87,834
Total assets		805,129	2,376,150	2,500,098
Liabilities				
Non-current liabilities				
Financial instruments issued to investors	21	1,474,230	2,446,632	2,080,145
Lease liabilities		—	—	2,518
Other non-current liabilities		3,432	—	—
		1,477,662	2,446,632	2,082,663
Current liabilities				
Financial instruments issued to investors	21	126,283	395,318	452,029
Lease liabilities		—	—	8,166
Amounts due to related parties	28	2,686	2,151	17,092
Amounts due to subsidiaries	31	8,546	121,588	103,179
Trade and other payables	23	14,028	25,088	21,816
		151,543	544,145	602,282
Total liabilities		1,629,205	2,990,777	2,684,945
Equity				
Equity attributable to the equity holders of the Company				
Share capital	24	2	17	17
Reserves	26	127,351	443,649	477,548
Accumulated other comprehensive losses	26	(27,043)	(37,953)	(58,894)
Accumulated deficit	26	(924,386)	(1,020,340)	(603,518)
Total equity in deficit		(824,076)	(614,627)	(184,847)
Total equity and liabilities		805,129	2,376,150	2,500,098

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	FVOCI reserve	Exchange reserve	Accumulated deficit	Total equity in deficit
	RMB'000 (Note 24)	RMB'000 (Note 26)	RMB'000 (Note 26)	RMB'000 (Note 26)	RMB'000 (Note 26)	RMB'000
Balance at 1 January 2018	2	3,951	—	76	(28,787)	(24,758)
Comprehensive loss						
Loss for the year	—	—	—	—	(991,674)	(991,674)
Foreign currency translation	—	—	—	(31,659)	—	(31,659)
	—	—	—	(31,659)	(991,674)	(1,023,333)
Transactions with owners in their capacity as owners						
Share-based compensation	—	17,812	—	—	—	17,812
Dividend distribution	—	—	—	—	(22,878)	(22,878)
Deemed contribution from shareholders	—	105,588	—	—	—	105,588
	—	123,400	—	—	(22,878)	100,522
Balance at 31 December 2018	2	127,351	—	(31,583)	(1,043,339)	(947,569)
Balance at 1 January 2019	2	127,351	—	(31,583)	(1,043,339)	(947,569)
Comprehensive loss						
Loss for the year	—	—	—	—	(214,512)	(214,512)
Foreign currency translation	—	—	—	(15,314)	—	(15,314)
	—	—	—	(15,314)	(214,512)	(229,826)
Transactions with owners in their capacity as owners						
Issuance of ordinary shares	15	297,979	—	—	—	297,994
Exercise of stock options	—	3,374	—	—	—	3,374
Share-based compensation	—	14,945	—	—	—	14,945
	15	316,298	—	—	—	316,313
Balance at 31 December 2019	17	443,649	—	(46,897)	(1,257,851)	(861,082)
Balance at 1 January 2019	2	127,351	—	(31,583)	(1,043,339)	(947,569)
Comprehensive income						
Profit for the period	—	—	—	—	99,123	99,123
Foreign currency translation	—	—	—	17,924	—	17,924
	—	—	—	17,924	99,123	117,047
Transactions with owners in their capacity as owners						
Exercise of stock options	—	3,374	—	—	—	3,374
Share-based compensation	—	5,918	—	—	—	5,918
	—	9,292	—	—	—	9,292
Balance at 31 March 2019 (Unaudited)	2	136,643	—	(13,659)	(944,216)	(821,230)
Balance at 1 January 2020	17	443,649	—	(46,897)	(1,257,851)	(861,082)
Comprehensive income/ (loss)						
Profit for the period	—	—	—	—	303,959	303,959
Change in fair value of financial assets at FVOCI	—	—	(18,423)	—	—	(18,423)
Foreign currency translation	—	—	—	(8,225)	—	(8,225)
	—	—	(18,423)	(8,225)	303,959	277,311
Transactions with owners in their capacity as owners						
Share-based compensation	—	33,899	—	—	—	33,899
	—	33,899	—	—	—	33,899
Balance at 31 March 2020	17	477,548	(18,423)	(55,122)	(953,892)	(549,872)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years ended 31 December		Three months ended 31 March	
		2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities					
(Loss)/Profit before income tax		(991,674)	(214,512)	99,123	303,959
Adjustments for:					
Depreciation of property and equipment	13	679	2,797	292	800
Depreciation of right-of-use assets	14	4,438	7,207	1,497	2,384
Recovery of research and development prepayment related to TJ202	16	—	(23,042)	—	—
Fair value changes of financial instruments	21	863,167	36,453	(129,824)	(455,511)
Share-based compensation	25	17,812	14,945	5,918	33,899
Interest income	8	(23)	(55)	(6)	(57)
Foreign exchange losses on financing activities		132	632	433	64
Interest expense		1,348	2,002	409	630
Changes in working capital:					
—Trade and other receivables		(2,099)	26,471	(1,015)	(409)
—Amounts due from related parties		(23,287)	5,477	(22,941)	14,555
—Trade and other payables		20,500	51,246	(757)	15,359
—Amounts due to related parties		2,596	3,710	—	(141)
—Other non-current assets		(579)	(2,043)	—	378
Interest received	8	23	55	6	57
Net cash used in operating activities		(106,967)	(88,657)	(46,865)	(84,033)
Cash flows from investing activities					
Purchase of property and equipment		(2,904)	(7,083)	—	(2,675)
Disposal of a subsidiary, net of cash disposed	26	(21,714)	—	—	—
Prepayment for the collaboration agreement with I-Mab		(172,742)	(52,533)	(30,002)	—
Purchase of intangible assets		(208,965)	(86,191)	—	(48,797)
Cash received from the acquisition of Everest II	30	—	98,442	—	—
Net cash used in investing activities		(406,325)	(47,365)	(30,002)	(51,472)
Cash flows from financing activities					
Principal elements of lease liabilities		(5,532)	(8,302)	(994)	(1,620)
Proceeds from issuance of financial instruments to investors		463,585	—	—	104,565
Proceeds from borrowings from a related party		—	70,298	—	—
Proceeds from exercise of stock option	26	3,317	—	—	—
Net cash generated from/(used in) financing activities		461,370	61,996	(994)	102,945
Effect of exchange rate changes on cash and cash equivalents		9,305	(3,416)	(3,794)	(36)
Net decrease in cash and cash equivalents		(42,617)	(77,442)	(81,655)	(32,596)
Cash and cash equivalents at the beginning of the year/ period		226,120	183,503	183,503	106,061
Cash and cash equivalents at the end of the year/ period	20	183,503	106,061	101,848	73,465

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Everest Medicines Limited (the "Company" or "Everest") was incorporated under the law of Cayman Islands as an exempted company with limited liability on 14 July 2017. The Company and its subsidiaries (collectively referred to as the "Group") engages primarily in license-in, development and commercialization of innovative therapies in Greater China and other emerging Asia Pacific markets.

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

At the date when the financial statements are issued, the Company has direct or indirect interests in the following subsidiaries:

Subsidiaries	Place of incorporation	Date of incorporation/ acquisition (Note 30)	Issued and paid up capital	Effective interests held by the Group			Principal activities
				At 31 December		At 31 March	
				2018	2019	2020	
Directly held by the Company							
Everest Medicines (US) Limited (a)	The United States of America	15 September 2017	USD 500	100%	100%	100%	Business development and administrative office
Everonc Medicines Inc. (a)	British Virgin Islands	19 April 2017	USD 50,000	100%	100%	100%	Holding company
EverID Medicines Limited (a)	Cayman Islands	15 February 2018	USD 50,000	100%	100%	100%	Holding company
Everstar Therapeutics Inc. (a)	Cayman Islands	31 October 2017	USD 50,000	100%	100%	100%	Holding company
Everest Medicines (Singapore) Pte. Limited (f)	Singapore	22 November 2018	USD 50,000	100%	100%	100%	International activities
EverNov Medicines Limited ("EverNov") (b)	Cayman Islands	14 June 2018	USD 50,000	100% (l)	100% (l)	100% (l)	Holding company
Everest Medicines II Limited ("Everest II") (a)	Cayman Islands	25 November 2019	USD 50,000	—	100%	100%	Holding company
Indirectly held by the Company							
Everonc Medicines Limited (c)	Hong Kong	12 May 2017	HKD 10,000	100%	100%	100%	Holding company
EverSun Medicines Limited (d)	Hong Kong	28 February 2018	HKD 1	100%	100%	100%	Holding company
Everstar Therapeutics Limited (e)	Hong Kong	3 January 2018	HKD 1	100%	100%	100%	Holding company
EverNov Medicines (HK) Limited (m)	Hong Kong	13 December 2018	HKD 1	100% (l)	100% (l)	100% (l)	Holding company
Everest Medicines II (BVI) Limited (a)	British Virgin Islands	25 November 2019	USD 50,000	—	100%	100%	Holding company
Everest Medicines II (HK) Limited ("Everest II HK") (n)	Hong Kong	25 November 2019	HKD 1	—	100%	100%	Holding company
Everest Medicines (Suzhou) Inc. (g)	People's Republic of China ("PRC")	11 October 2017	USD 5,000,000	100% (k)	100% (k)	100% (k)	Research and development of innovative therapies
EverID Medicines (Beijing) Limited (h)	PRC	30 March 2018	USD 5,000,000	100% (k)	100% (k)	100% (k)	Research and development of innovative therapies
Everstar Medicines (Shanghai) Limited (i)	PRC	16 April 2018	USD 5,000,000	100% (k)	100% (k)	100% (k)	Research and development of innovative therapies
EverNov Medicines (Zhuhai Hengqin) Limited (j)	PRC	13 February 2019	USD 500,000	—	100% (l)	100% (l)	Research and development of innovative therapies
Everest Medicines (China) Co., Ltd. (Note 30)	PRC	3 April 2020	USD 50,000,000	—	—	—	PRC holding company

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 GENERAL INFORMATION—continued

Notes:

(a) No audited financial statements have been prepared for these companies for the Track Record Period, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) The financial statements of EverNov for the period from 14 June 2018 (date of incorporation) to 31 December 2018 were audited by PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC. As of the date of this report, the audited financial statements of this company for the year ended 31 December 2019 has not been issued yet.

(c) The financial statements of Everonc Medicines Limited for the year ended 31 December 2018 were audited by Horizon (HK) CPA limited, certified public accountants registered in Hong Kong. As of the date of this report, the audited financial statements of this company for the year ended 31 December 2019 has not been issued yet.

(d) The financial statements of EverSun Medicines Limited for the period from 28 February 2018 (date of incorporation) to 31 December 2018 were audited by Horizon (HK) CPA limited, certified public accountants registered in Hong Kong. As of the date of this report, the audited financial statements of this company for the year ended 31 December 2019 has not been issued yet.

(e) The financial statements of Everstar Therapeutics Limited for the period from 3 January 2018 (date of incorporation) to 31 December 2018 were audited by Horizon (HK) CPA limited, certified public accountants registered in Hong Kong. As of the date of this report, the audited financial statements of this company for the year ended 31 December 2019 has not been issued yet.

(f) The financial statements of Everest Medicines (Singapore) Pte. Limited for the period from 22 November 2018 (date of incorporation) to 31 December 2019 were audited by Kreston Ardent CAtrust PAC, certified public accountants registered in Singapore.

(g) The financial statements of Everest Medicines (Suzhou) Inc. for the year ended 31 December 2018 and 2019 were audited by PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC.

(h) The financial statements of EverID Medicines (Beijing) Limited for the period from 30 March 2018 (date of incorporation) to 31 December 2018 and for the year ended 31 December 2019 were audited by PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC.

(i) The financial statements of Everstar Medicines (Shanghai) Limited for the period from 16 April 2018 (date of incorporation) to 31 December 2018 and for the year ended 31 December 2019 were audited by PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC.

(j) The financial statements of EverNov Medicines (Zhuhai Hengqin) Limited for the period from 13 February 2019 (date of incorporation) to 31 December 2019 were audited by PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC.

(k) The equity interest legally held by the Company in Everest Medicines (China) Co., Ltd. was 62.96% in April 2020. See Note 32 for details.

(l) The equity interest legally held by the Company in EverNov and its subsidiaries was 92% as at 31 December 2018 and 2019 and 31 March 2020. See Note 21(b) for details.

(m) The financial statements of EverNov Medicines (HK) Limited for the period from 13 December 2018 (date of incorporation) to 31 December 2019 were audited by Horizon (HK) CPA limited, certified public accountants registered in Hong Kong.

(n) The financial statements of Everest II HK for the period from 24 December 2018 (date of incorporation) to 31 December 2019 were audited by Horizon (HK) CPA limited, certified public accountants registered in Hong Kong.

As of the date of this report, there were no changes to the equity interest held by the Company in these subsidiaries since 31 March 2020, except the note (k) disclosed as above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial instruments issued to investors which are carried at fair value.

The Historical Financial Information has been prepared on a going concern basis. The Group is in the development phase and has not generated revenue from sales of drugs and has been incurring losses from

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.1 Basis of preparation—continued

operations since incorporation. The Group incurred operating loss of RMB 127,182 thousand, and RMB 176,112 thousand, RMB30,298 thousand and RMB150,979 thousand for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively, and net cash used in operating activities was RMB 106,967 thousand, RMB 88,657 thousand, RMB 46,865 thousand and RMB 84,033 thousand for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively. As at 31 December 2019 and 31 March 2020, working capital was negative RMB 372,720 thousand and RMB 498,937 thousand, respectively. As of 31 December 2018 and 2019 and 31 March 2020, total equity in deficit was RMB 947,569 thousand, RMB 861,082 thousand and RMB 549,872 thousand, respectively. As disclosed in Note 32, the Group has obtained financing from the issuance of preferred shares. Management believes that its cash and cash equivalents and funding from financing are sufficient to fund its operating expenses and capital expenditure requirements and meet its payment obligations for the next twelve months from 31 March 2020.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, including IFRS 9, which is mandatory for the financial year beginning 1 January 2018, and IFRS 16 which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group throughout the Track Record Period.

(a) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards and interpretations that are relevant to the Group have been issued but are not yet effective for the Track Record Period and have not been early adopted by the Group. These new standards and amendments are set out below:

Standards	Key requirements	Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 16 (Amendment)	Covid-19-Related Rent Concessions	30 June 2020
IFRS 17	Insurance Contracts	1 January 2021
IAS 16 (Amendment)	Property, plant and equipment – proceeds before intended use	1 January 2022
IAS 1 (Amendment)	Classification of liabilities as current or non-current	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020	1 January 2022

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.1 Basis of preparation—continued

(a) New standards and interpretations not yet adopted—continued

assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between entities within the Group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

2.2.1 Business combinations

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.2 Subsidiaries—continued

2.2.1 Business combinations—continued

(a) Business combinations not under common control—continued

the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Group early adopted Amended IFRS 3, Business Combination to clarify the definition of a business. Among the amendment when no output are present, a workforce on access to a workflow must be obtained, at minimum, in order for a set to qualify as business.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities, with the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

During the Track Record Period, the Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including operating expenses and operating loss at a consolidated level only. The Group has been focusing on research and development of innovative drug candidate. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States Dollars ("USD"). However, the consolidated financial statements are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income within other losses.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.4 Foreign currency translation—continued

(c) Group companies—continued

prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

2.5 Property and equipment

Property and equipment include furniture and fixtures, office equipment, leasehold improvements and construction-in-progress and are stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

—	Furniture and fixtures	3 years
—	Office equipment	3 years
—	Leasehold improvements	Over the shorter of the lease term or the estimated useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statements of comprehensive income.

Construction-in-progress represents properties under construction and is stated at cost less impairment. This includes cost of construction, equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2.6 Intangible assets

(a) In-licenses and In-Process Research and Development (IPR&D)

Intangible assets acquired separately are measured on initial recognition at cost.

Certain intangible assets are for in-licenses and IPR&D, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.6 Intangible assets—continued

(a) In-licenses and In-Process Research and Development (IPR&D)—continued

research and development work which would follows the capitalization policy in Note 2.6 (b). Royalty payment is accrued for in line with the underlying sales and recognized as a cost of sales. However, if the intangible asset is acquired in a business combination, it is measured at fair value at initial recognition.

IPR&D acquired is subsequently stated at cost less accumulated amortization and any impairment losses.

For research or development expenditures which are related to an IPR&D project acquired separately or in a business combination and incurred after the acquisition of that project, they are accounted for in accordance with the capitalization policy in Note 2.6 (b).

The intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized when ready for use and over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives or not ready for use are not amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the intangible asset to its carrying value. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

In-licenses and IPR&D with finite useful life are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) the Group's intention to complete the development project to use or sell it;

(iii) the Group's ability to use or sell the development project;

(iv) how the development project will generate probable future economic benefits for the Group;

(v) the Group's availability of adequate technical, financial and other resources to complete the development and to use or sell the development project; and

(vi) the ability to measure reliably the expenditures attributable to the development project.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.6 Intangible assets—continued

(b) Research and development expenditures—continued

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets is met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization begins when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

2.7 Impairment of non-financial assets

Intangible assets of indefinite useful lives or not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The intangible assets related to in-license and IPR&D are not ready for use and the Group is continuing research and development work, it is subject to an annual impairment test based on the recoverable amount of the cash generating unit to which the intangible asset is related to. Other non-financial assets including right-of-use assets and property and equipment and other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The fair value was estimated using the discounted cash flow approach. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

(ii) those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.8 Investments and other financial assets—continued

2.8.1 Classification—continued

For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this depends on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.8 Investments and other financial assets—continued

2.8.3 Measurement—continued

(a) Debt instruments—continued

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Prepayments and other current assets

Prepayments mainly represent upfront cash payments made to contract research organizations ("CROs"), which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis. During the ordinary course of business, the Group largely involves services from CROs as a cost-effective solution.

Prepayments to CROs will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements.

Prepayments are generally due for settlement within one year or less and therefore are all classified as current assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.10 Prepayments and other current assets—continued

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares and warrants for purchase of Preferred Shares. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

(a) Preferred Shares

During the Track Record Period and as at the date of this report, the Company entered into a series of share purchase agreements with financial investors and issued Series A-1, A-2, B-1, B-2, B-3, C-1 and C-2 Convertible Redeemable Preferred Shares. Refer to Notes 21(a) and Notes 31 for details. In addition, EverNov entered into a license agreement with Novartis and issued Convertible Preferred Shares to Novartis accordingly. Refer to Note 21 (b) for details.

The Preferred Shares issued by the Company or EverNov are redeemable upon occurrence of certain future events. These instruments can be converted into ordinary shares of the Company or EverNov at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or EverNov.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.13 Financial instruments issued to investors—continued

(b) Warrants

During the Track Record Period, the Company issued warrants under which the holders have the rights to subscribe for the Company's Preferred Shares at a predetermined price during a specific period (Notes 21).

Warrant liabilities are initially recognized at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

(c) Convertible notes

During the Track Record Period, the Company issued convertible notes to investors, which are considered bridge loans in nature that can be converted to the Preferred Shares to be issued by the Company at the conversion price to be agreed. The conversion feature is not considered as derivative and the convertible notes were subsequently measured at amortised cost. Refer to Note 21(c) for details.

2.14 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net off tax, from the proceeds.

2.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.17 Current and deferred income tax—continued

recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Also, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

Employees of the Group in mainland China are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.19 Share-based compensation

(a) Equity-settled share-based payment transaction

The Company operates restricted shares and stock options plan for the Group's employees, under which the entity receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense in the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.19 Share-based compensation—continued

(a) Equity-settled share-based payment transaction—continued

- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, the Group revises its estimates of the number of stock options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

(b) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.20 Other income

The Group provides consultancy services in the field of business development, clinical development, related platform support and general and administrative supports to related parties and third parties. The contract prices are determined based on the actual cost incurred plus a margin. Such income is recognized over time when services are performed and is presented net off related cost in other income.

2.21 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statements of comprehensive income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.22 Leases and right-of-use assets as leasee

The Group leases properties for operation. The consideration paid for lease are treated as right-of-use assets, which are stated at cost less accumulative amortization and accumulated impairment losses, if any.

Rental contracts are typically made for fixed periods of 3 to 6 years, but may have extension options. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Leases are recognized as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Right-of-use assets are subject to impairment (Note 2.7).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

2.22 Leases and right-of-use assets as leasee—continued

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise small items of machinery.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency.

Certain bank balances and cash are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. The Group has entities operating in USD and RMB, and the Group constantly reviews the economic situation and its foreign exchange risk profile, and considers appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. As at 31 December 2018 and 2019 and 31 March 2020, if the RMB strengthened/weakened by 5% against the USD with all other variables held constant, net loss for the year would have been RMB 717 thousand higher/lower, RMB 176 thousand higher/lower and RMB 256 thousand higher/lower, respectively.

(b) Credit risk

The Group has three types of financial assets that are subject to the expected credit loss model: amount due from related parties, other receivables and cash and cash equivalents. The carrying amounts of amount due from related parties, other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Management has assessed that during the Track Record Period, amount due from related parties and other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group does not expect any losses from non-performance by the counterparties of amount due from related parties and other receivables and no loss allowance provision for amount due from related parties and other receivables was recognized.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 FINANCIAL RISK MANAGEMENT—continued

3.1 Financial risk factors—continued

(b) Credit risk—continued

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. The Group historically financed its working capital requirements through issue of Preferred shares and convertible notes.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The Group recognizes the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2020					
Trade and other payables	96,138	—	—	—	96,138
Amount due to related parties	17,092	—	—	—	17,092
Lease liabilities	18,424	11,767	23,117	1,611	54,919
	131,654	11,767	23,117	1,611	168,149
At 31 December 2019					
Trade and other payables	80,779	—	—	—	80,779
Amounts due to related parties	17,233	—	—	—	17,233
Lease liabilities	10,893	9,189	23,750	3,222	47,054
	108,905	9,189	23,750	3,222	145,066
At 31 December 2018					
Trade and other payables	25,136	—	—	—	25,136
Amounts due to related parties	2,686	—	—	—	2,686
Lease liabilities	6,028	6,249	7,709	—	19,986
	33,850	6,249	7,709	—	47,808

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 FINANCIAL RISK MANAGEMENT—continued

3.2 Capital risk management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and reserves, and Preferred Shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

(a) There are judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards:

Level 1: The fair values of financial instruments traded in active markets (such as trading and available-for-sale securities) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.

Level 2: The fair values of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the financial assets and liabilities, which are measured at amortised cost, approximated their fair value as at 31 December 2018 and 2019 and 31 March 2020.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities:				
Preferred Shares (Note 21)	—	—	1,496,466	1,496,466
Warrant liabilities (Note 21)	—	—	126,283	126,283
	—	—	1,622,749	1,622,749

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 FINANCIAL RISK MANAGEMENT—continued

3.3 Fair value estimation—continued

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2019:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Investment (Note 16)	—	—	34,881	34,881
Liabilities:				
Preferred Shares (Note 21)	—	—	2,463,933	2,463,933
Warrant liabilities (Note 21)	—	—	116,270	116,270
	—	—	2,580,203	2,580,203

The following table presents the Group's assets and liabilities that were measured at fair value at 31 March 2020:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Investments (Note 16)	243,423	—	35,426	278,849
Liabilities:				
Preferred Shares (Note 21)	—	—	2,095,165	2,095,165
Warrant liabilities (Note 21)	—	—	62,349	62,349
	—	—	2,157,514	2,157,514

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments or discounted cash flow analysis.

There were no changes in valuation techniques during the Track Record Period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The changes in level 3 instruments for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 are presented in Notes 21.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that could cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Development expenditures

Development expenditures incurred on the Group's research and development activities, including conducting clinical trials and other activities related to regulatory filings for the Group's drug

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS—continued

(a) Development expenditures—continued

candidates, are capitalised as intangible assets only when meet the capitalisation criteria set out in Note 2.6 (b). Expenditures that do not meet these capitalisation principle are recognised as research and development expenses. During the Track Record Period, the Group's research and development expenditures incurred did not meet these capitalisation principle for any products and were expensed as incurred.

(b) Impairment testing of intangible assets not ready for use

Intangible assets not ready for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses and IPR&D through acquisition for the purpose of continuing the research and development work and commercialisation of the products, which are classified as intangible assets not ready for use.

An impairment loss is recognised for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an intangible asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, each in-license and IPR&D is a cash-generating units. Key assumptions are disclosed in Note 15.

(c) Accrual of research and development expenses

Research and development expenses primarily include costs related to clinical trials paid to third-party contract research organizations (CROs). The estimate of accrual of research and development expenses related to the CROs is complex because billing terms under contracts with CRO often do not coincide with the timing of when the work is performed, which in turn requires estimates of outstanding obligations as of period end. These estimates are based on a number of factors, including management's knowledge of the R&D programs and activities associated with timelines, invoicing to date, and the provisions in the contracts.

(d) Fair value of financial instruments issued to investors

The financial instruments issued by the Company including Preferred Shares and warrant for purchase of Preferred Shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Company and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 21.

(e) Share-based compensation expenses

As mentioned in Note 25, the Company has granted restricted shares and stock options to the Group's employees. The Company has engaged an independent valuer to determine the grant date fair value of the restricted shares and stock options to employees, which is to be expensed over the vesting period. Share-based compensation in relation to the restricted shares is measured based on the fair value of the Company's ordinary shares at the grant date of the award. Prior to the listing, estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS—continued

(e) Share-based compensation expenses—continued

in the market, and a number of complex and subjective variables, including discount rate, and subjective judgments regarding projected financial and operating results, its unique business risks, and its operating history and prospects at the time the grants are made. In addition, the binomial option pricing model is used to measure the value of stock options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee stock option exercise behavior, risk-free interest rates and expected dividends.

(f) Deferred income tax

The Group recognizes deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Company and most of them were in earlier research and development stage and the future taxable profits would be uncertain.

5 EXPENSES BY NATURE

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses (Note 9)	96,164	152,642	34,485	86,992
Clinical trial expenses	13,542	86,641	8,190	41,352
Professional expenses	20,316	44,703	3,152	18,415
Office and travelling expenses	14,137	19,775	3,593	3,538
Depreciation	5,117	10,004	1,789	3,184
Others	3,066	9,226	2,019	3,291
Total general and administrative expenses, research and development, distribution and selling expense expenses and cost of other income	152,342	322,991	53,228	156,772

6 OTHER INCOME

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gain from termination of collaboration agreement with I-Mab (Note 16 and 17)	—	23,042	—	—
Income from consultancy services (a)	25,344	124,463	23,363	5,866
Cost of other income (a)	(24,335)	(118,252)	(22,308)	(5,640)
	1,009	29,253	1,055	226

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 OTHER INCOME—continued

(a) The Group provides consultancy services in the field of business development, clinical development, related platform support and general and administrative supports, mainly to Everest II, prior to the acquisition of Everest II, and to other parties including related parties, as below:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Everest II	777	5,042	928	—
Others	232	1,169	127	226
	1,009	6,211	1,055	226

The contract prices are determined based on the actual cost incurred plus a margin. Such income is recognized over time when services are performed and is presented net off related cost in other income.

7 OTHER LOSSES

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net foreign exchange losses on operating activities	(132)	(632)	(433)	(64)
Others	(52)	6	—	(9)
	(184)	(626)	(433)	(73)

8 FINANCE COSTS—NET

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Bank interest income	23	55	6	57
Interest expenses on lease liabilities	(1,348)	(2,002)	(409)	(630)
Finance costs—net	(1,325)	(1,947)	(403)	(573)

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	76,722	133,922	27,746	52,340
Social security costs and housing benefits (Note (a))	1,630	3,775	821	753
Share-based compensation	17,812	14,945	5,918	33,899
	96,164	152,642	34,485	86,992

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)—continued

(a) The full-time employees of the Group are entitled to various government-sponsored defined-contribution pension plans and various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(b) Five highest paid individuals

For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, the five individuals whose emoluments were the highest in the Group include 2, 1, 2 and 2 directors, whose emoluments are reflected in the analysis presented in Note 9(c). The emoluments payable to the remaining individuals were as follows:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	12,443	17,778	2,925	3,988
Contributions to pension plans	106	135	13	11
Housing funds, medical insurance and other social insurance	152	489	76	77
Share-based payments	3,929	3,937	1,352	5,154
	16,630	22,339	4,366	9,230

The number of five highest paid individuals whose remuneration during the Track Record Period fell within the following bands are as follows:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
			(Unaudited)	
Emolument bands				
HK$1 to HK$1,000,000	—	—	—	—
HK$ 1,000,001 – HK$ 2,000,000	—	—	4	—
HK$ 2,000,001 – HK$ 3,000,000	—	—	1	1
HK$ 3,000,001 – HK$ 4,000,000	—	—	—	1
HK$ 4,000,001 – HK$ 5,000,000	—	—	—	—
HK$ 5,000,001 – HK$ 6,000,000	1	1	—	1
HK$ 6,000,001 – HK$ 7,000,000	2	4	—	—
HK$ 7,000,001 – HK$ 8,000,000	2	—	—	—
HK$ 10,000,001 – HK$ 11,000,000	—	—	—	1
HK$ 12,000,001 – HK$ 13,000,000	—	—	—	1
	—	—	—	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)—continued

(c) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2018 are as follows:

	Fee	Basic salaries and allowances	Bonus	Retirement benefit costs	Social security costs	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Sean Wuxiong Cao (v)	—	3,529	1,831	—	—	699	6,059
Mr. Michael Keyoung (iv)	—	2,506	1,769	—	—	979	5,254
Mr. Ian Ying Woo (vii)	—	1,276	2,654	24	74	—	4,028
Mr. Wei Fu (vi)	—	—	—	—	—	—	—
Mr. Neo Xiaofan Zhang (iii)	—	—	—	—	—	—	—
Mr. Goh Chin Kiong (viii)	—	—	—	—	—	—	—
	—	7,311	6,254	24	74	1,678	15,341

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2019 are as follows:

	Fee	Basic salaries and allowances	Bonus	Retirement benefit costs	Social security costs	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Sean Wuxiong Cao (v)	—	4,784	827	26	86	257	5,980
Mr. Ian Ying Woo (vii)	—	2,758	1,931	77	140	—	4,906
Mr. Neo Xiaofan Zhang (iii)	—	3,442	1,149	—	27	—	4,618
Mr. Wei Fu (vi)	—	—	—	—	—	—	—
Mr. Chin Kiong Goh (viii)	—	—	—	—	—	—	—
	—	10,984	3,907	103	253	257	15,504

The emoluments in respect of each of the directors paid/payable by the Group for the three months ended 31 March 2019 are as follows:

	Fee	Basic salaries and allowances	Bonus	Retirement benefit costs	Social security costs	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Sean Wuxiong Cao (v)	—	1,197	202	—	—	84	1,483
Mr. Ian Ying Woo (vii)	—	623	472	25	51	—	1,171
Mr. Wei Fu (vi)	—	—	—	—	—	—	—
Mr. Neo Xiaofan Zhang (iii)	—	—	—	—	—	—	—
Mr. Chin Kiong Goh (viii)	—	—	—	—	—	—	—
	—	1,820	674	25	51	84	2,654

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)—continued

(c) Details of emoluments in respect of the directors of the Company—continued

The emoluments in respect of each of the directors paid/payable by the Group for the three months ended 31 March 2020 are as follows:

	Fee	Basic salaries and allowances	Bonus	Retirement benefit costs	Social security costs	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ian Ying Woo (vii)	—	813	813	28	69	9,851	11,574
Mr. Neo Xiaofan Zhang (iii)	—	1,176	581	—	7	7,312	9,076
Mr. Sean Wuxiong Cao (v)	—	1,154	444	29	58	—	1,685
Mr. Kerry Levan Blanchard (ix)	—	291	175	—	2	—	468
Mr. Wei Fu (vi)	—	—	—	—	—	—	—
	—	3,434	2,013	57	136	17,163	22,803

(i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(ii) Bonus are determined based on the financial performance of the Group and the performance of each individual.

(iii) Mr. Neo Xiaofan Zhang was appointed as director of the Group on 23 November 2017.

(iv) Mr. Michael Keyoung was appointed as director of the Group on 23 November 2017 and stepped down from director on December 31, 2018.

(v) Mr. Sean Wuxiong Cao was appointed as director of the Group on 23 November 2017 and stepped down from executive director on 25 February 2020.

(vi) Mr. Wei Fu was appointed as director of the Group on 14 July 2017. Mr. Fu Wei did not receive any emolument during the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020.

(vii) Mr. Ian Ying Woo was appointed as director of the Group on 31 December 2018.

(viii) Mr. Chin Kiong Goh was appointed as director of the Group on 31 December 2018 and stepped down on 16 August 2019. Mr. Goh Chin Kiong did not receive any emolument during the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020.

(ix) Mr. Kerry Levan Blanchard was appointed as director of the Group on 25 February 2020.

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)—continued

(e) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the Track Record Period.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the Track Record Period.

(g) Inducement or waiver of emoluments

No directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office for the Track Record Period. No directors waived or had agreed to waive any emoluments for the Track Record Period.

(h) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

10 INCOME TAX EXPENSE

(i) Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company and Cayman Islands incorporated entities of the Group is not subject to tax on income or capital gains.

Hong Kong

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Since these companies did not have assessable profits during the Track Record Period, no Hong Kong profits tax has been provided.

United States of America

Entities in the State of New York are subject to Federal Tax at a rate of 21% and State of New York Profits Tax at a rate of 6.5%. Operations in the United States of America have incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded during the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 INCOME TAX EXPENSE—continued

(i) Income tax expense—continued

Singapore

The Group's subsidiaries in Singapore are subject to Singapore profits tax at the rate of 17%. The Group had no taxable income during the Track Record Period.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income.

The Group had no taxable income during the Track Record Period.

The income tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss)/profit before income tax	(991,674)	(214,512)	99,123	303,959
Tax calculated at the applicable tax rate of 25%	(247,919)	(53,628)	24,781	75,990
Tax effect of:				
Difference in overseas tax rates	230,089	18,342	(31,410)	(96,745)
Tax losses not recognised as deferred tax assets	13,133	36,662	5,554	11,064
Deductible temporary differences not recognised as deferred tax assets	—	969	1,046	4,841
Super deduction in respect of research and development expenditures	(3,734)	(7,890)	(1,477)	(3,624)
Expenses not deductible for income tax purposes	8,431	5,545	1,506	8,474
Income tax expense	—	—	—	—

(ii) Tax losses

The tax losses incurred from the Company's subsidiaries in Mainland China that are not recognised as deferred tax assets will expire in 5 years from the respective filing dates and are analysed as follows:

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Expire year			
2023	1,628	1,628	1,628
2024	51,840	51,840	51,840
2025	—	117,069	117,069
2026	—	—	32,549
	53,468	170,537	203,086

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11 DIVIDEND

Except for the distribution of dividend in the form of a subsidiary's equity interest as described in Note 26(a), no dividend has been paid or declared by the Company or companies comprising the Group during the Track Record Period.

12 (LOSS) / PROFIT PER SHARE

Basic (loss)/profit per share

Basic (loss)/profit per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period. In determining the weighted average number of ordinary shares in issue the unvested restricted shares are excluded:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss)/profit for the year/period	(991,674)	(214,512)	99,123	303,959
Weighted average number of ordinary shares in issue	1,364,217	5,227,184	2,488,146	24,740,205
Basic (loss)/profit per share (in RMB)	(726.92)	(41.04)	39.84	12.29
Diluted (loss)/profit per share (in RMB)	(726.92)	(41.04)	(0.21)	(0.68)

Diluted (loss)/profit per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively, the Company had two categories of potential ordinary shares: convertible redeemable preferred shares and share-based awards granted to employees (Notes 21 and 25). For the years ended 31 December 2018 and 2019, the potential ordinary shares were not included in the calculation of (loss)/profit per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2018 and 2019 are the same as basic loss per share.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 (LOSS) / PROFIT PER SHARE—continued

Adjustments to profit for assumed conversion of dilutive potential ordinary shares and weighted average number of shares used as the denominator for the calculation of diluted profit per share for the three months ended 31 March 2019 and 2020 are as below:

	Three months ended 31 March	
	2019	2020
	RMB'000 (Unaudited)	RMB'000
Profit for the period	99,123	303,959
Adjustments for calculation of diluted profit per share:		
Fair value change in financial instruments issued to investors – convertible redeemable preferred shares	(115,429)	(400,673)
	(16,306)	(96,714)
Weighted average number of ordinary shares used as the denominator in calculating basic profit per share	2,488,146	24,740,205
Adjustments for calculation of diluted profit per share:		
Effect of share-based awards granted to employees	5,353,280	8,817,705
Effect of convertible redeemable preferred shares	70,347,222	108,709,267
	78,188,648	142,267,177
Weighted average number of shares for the purpose of calculating diluted profit per share	(0.21)	(0.68)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 PROPERTY AND EQUIPMENT

	Office equipment	Furniture and fixtures	Leasehold improvements	Lab equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018						
Cost	6	473	—	—	2,219	2,698
Accumulated depreciation	—	(13)	—	—	—	(13)
Net book amount	6	460	—	—	2,219	2,685
Year ended 31 December 2018						
Opening net book amount	6	460	—	—	2,219	2,685
Additions	576	566	1,762	—	—	2,904
CIP Transfer out	—	—	—	2,252	(2,252)	—
Disposals	(6)	—	—	—	—	(6)
Disposal of Nikang	—	—	—	(2,045)	—	(2,045)
Depreciation charge (Note 5)	(48)	(220)	(204)	(207)	—	(679)
Currency translation differences	19	35	57	—	33	144
Closing net book amount	547	841	1,615	—	—	3,003
At 31 December 2018						
Cost	597	1,083	1,822	—	—	3,502
Accumulated depreciation	(50)	(242)	(207)	—	—	(499)
Net book amount	547	841	1,615	—	—	3,003
Year ended 31 December 2019						
Opening net book amount	547	841	1,615	—	—	3,003
Additions	726	195	—	—	6,529	7,450
CIP transfer out	—	—	6,529	—	(6,529)	—
Depreciation charge (Note 5)	(564)	(589)	(1,644)	—	—	(2,797)
Currency translation differences	5	1	63	—	—	69
Closing net book amount	714	448	6,563	—	—	7,725
At 31 December 2019						
Cost	734	959	7,901	—	—	9,594
Accumulated depreciation	(20)	(511)	(1,338)	—	—	(1,869)
Net book amount	714	448	6,563	—	—	7,725
Three months ended 31 March 2019						
Opening net book amount	547	841	1,615	—	—	3,003
Depreciation charge (Note 5)	(49)	(91)	(152)	—	—	(292)
Currency translation differences	(1)	(5)	(3)	—	—	(9)
Closing net book amount	497	745	1,460	—	—	2,702
At 31 March 2019						
Cost	597	1,073	1,818	—	—	3,488
Accumulated depreciation	(100)	(328)	(358)	—	—	(786)
Net book amount	497	745	1,460	—	—	2,702
Three months ended 31 March 2020						
Opening net book amount	714	448	6,563	—	—	7,725
Additions	—	—	2,675			2,675
Depreciation charge (Note 5)	(63)	(79)	(658)	—	—	(800)
Currency translation differences	1	3	116	—	—	120
Closing net book amount	652	372	8,696	—	—	9,720
At 31 March 2020						
Cost	733	969	10,706	—	—	12,408
Accumulated depreciation	(81)	(597)	(2,010)	—	—	(2,688)
Net book amount	652	372	8,696	—	—	9,720

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13 PROPERTY AND EQUIPMENT—continued

Depreciation of property and equipment has been charged to the consolidated statements of comprehensive income as follows:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
General and administrative expenses	205	626	42	313
Research and development expenses	348	1,066	67	487
Cost of other income	126	1,105	183	—
	679	2,797	292	800

As of 31 March 2020, leasehold improvement includes decoration for the Group's lease of office in Hong Kong and Singapore charged from CBC Group Investment Management, Ltd, a related party, at the amount of RMB 2,719 thousand.

14 RIGHT-OF-USE ASSETS

	Leased equipment	Leased properties	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2018			
Cost	—	14,389	14,389
Accumulated depreciation	—	(290)	(290)
Net book amount	—	14,099	14,099
Year ended 31 December 2018			
Opening net book amount	—	14,099	14,099
Additions	—	5,658	5,658
Currency translation differences	—	356	356
Depreciation charge (Note 5)	—	(4,438)	(4,438)
Closing net book amount	—	15,675	15,675
At 31 December 2018			
Cost	—	20,458	20,458
Accumulated depreciation	—	(4,783)	(4,783)
Net book amount	—	15,675	15,675
Year ended 31 December 2019			
Opening net book amount	—	15,675	15,675
Additions	183	33,046	33,229
Disposal	—	(3,458)	(3,458)
Currency translation differences	—	113	113
Depreciation charge (Note 5)	(27)	(7,180)	(7,207)
Closing net book amount	156	38,196	38,352
At 31 December 2019			
Cost	183	48,009	48,192
Accumulated depreciation	(27)	(9,813)	(9,840)
Net book amount	156	38,196	38,352

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 RIGHT-OF-USE ASSETS—continued

	Leased equipment	Leased properties	Total
	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2019			
Opening net book amount	—	15,675	15,675
Additions	—	1,886	1,886
Currency translation differences	—	(134)	(134)
Depreciation charge (Note 5)	—	(1,497)	(1,497)
Closing net book amount	—	15,930	15,930
At 31 March 2019			
Cost	—	22,178	22,178
Accumulated depreciation	—	(6,248)	(6,248)
Net book amount	—	15,930	15,930
Three months ended 31 March 2020			
Opening net book amount	156	38,196	38,352
Additions	—	8,705	8,705
Currency translation differences	—	242	242
Depreciation charge (Note 5)	(10)	(2,374)	(2,384)
Closing net book amount	146	44,769	44,915
At 31 March 2020			
Cost	183	57,023	57,206
Accumulated depreciation	(37)	(12,254)	(12,291)
Net book amount	146	44,769	44,915

Depreciation of right-of-use assets has been charged to the consolidated statements of comprehensive income as follows:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
General and administrative expenses	1,551	1,037	195	930
Research and development expenses	2,641	1,765	304	1,454
Cost of other income	246	4,405	998	—
	4,438	7,207	1,497	2,384

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS

The Group

	In-licenses and IPR&D
	RMB'000
At 1 January 2018	
Cost (Note a)	78,410
Accumulated amortisation and impairment	—
Net book amount	78,410
Year ended 31 December 2018	
Opening net book amount	78,410
Additions (Note b)	224,620
Currency translation differences	11,716
Closing net book amount	314,746
At 31 December 2018	
Cost	314,746
Accumulated amortisation and impairment	—
Net book amount	314,746
Year ended 31 December 2019	
Opening net book amount	314,746
Additions	86,191
Asset acquisitions (Note c and Note 30)	1,265,971
Currency translation differences	(3,459)
Closing net book amount	1,663,449
At 31 December 2019	
Cost	1,663,449
Accumulated amortisation and impairment	—
Net book amount	1,663,449
Three months ended 31 March 2019	
Opening net book amount	314,746
Currency translation differences	(5,948)
Closing net book amount	308,798
At 31 March 2019	
Cost	308,798
Accumulated amortisation and impairment	—
Net book amount	308,798
Three months ended 31 March 2020	
Opening net book amount	1,663,449
Additions (Note c)	48,797
Currency translation differences	26,766
Closing net book amount	1,739,012
At 31 March 2020	
Cost	1,739,012
Accumulated amortisation and impairment	—
Net book amount	1,739,012

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS—continued

The Company

	In-licenses and IPR&D
	RMB'000
At 1 January 2018	
Cost (Note a)	78,410
Accumulated amortisation and impairment	—
Net book amount	78,410
Year ended 31 December 2018	
Opening net book amount	78,410
Additions (Note b)	76,289
Currency translation differences	6,586
Closing net book amount	161,285
At 31 December 2018	
Cost	161,285
Accumulated amortisation and impairment	—
Net book amount	161,285
Year ended 31 December 2019	
Opening net book amount	161,285
Additions	86,191
Currency translation differences	3,667
Closing net book amount	251,143
At 31 December 2019	
Cost	251,143
Accumulated amortisation and impairment	—
Net book amount	251,143
Three months ended 31 March 2019	
Opening net book amount	161,285
Currency translation differences	(3,048)
Closing net book amount	158,237
At 31 March 2019	
Cost	158,237
Accumulated amortisation and impairment	—
Net book amount	158,237
Three months ended 31 March 2020	
Opening net book amount	251,143
Currency translation differences	3,921
Closing net book amount	255,064
At 31 March 2020	
Cost	255,064
Accumulated amortisation and impairment	—
Net book amount	255,064

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS—continued

(a) Collaboration and License Agreement with Arena Pharmaceuticals, Inc. ("Arena") and United Therapeutics

In December 2017, the Group entered into a collaboration and license agreement with Arena regarding the development and commercialization of its proprietary products Ralinepag and Etrasimod in the territories of Mainland China, Taiwan, Hong Kong, Macau and South Korea. Under the terms of the agreement, the Group made an upfront payment of USD 12 Million (equivalent to RMB 78.4 million) to Arena and capitalised such payment. In January 2019, the Group and Arena entered into two separate agreements which superseded the previous agreement, one which relates to Ralinepag and the other relates to Etrasimod.

Etrasimod

The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to Arena.

In the fourth quarter of 2018 and in November 2019, the Group made the milestone payment of USD 1 million (equivalent to RMB 6.6 million) and USD 5 million (equivalent to RMB 34.5 million) to Arena, respectively. Such payments were capitalised.

Ralinepag

In January 2019, Arena assigned all of its rights and obligations with respect to the Ralinepag program under the agreement to United Therapeutics.

The Group agreed to make development and regulatory milestone payments and commercial milestone payments, as well as tiered royalties on net sales to United Therapeutics.

In the fourth quarter of 2018, the Group made the milestone payment of USD 1 million (equivalent to RMB 6.6 million) to Arena (before the agreement was assigned to United Therapeutics) and capitalised such payment. After assigning the agreement to United Therapeutics, the Group paid USD 2.5 million (equivalent to RMB 17.2 million) in milestone payment to United Therapeutics in September 2019. Such payment was recognised capitalised.

(b) License Agreement with Tetraphase Pharmaceuticals, Inc.

Eravacycline

In February 2018, the Group entered into a license agreement with Tetraphase, pursuant to which Tetraphase granted the Group an exclusive license to develop and commercialize Eravacycline in Mainland China, Taiwan, Hong Kong, Macau, South Korea and Singapore.

Under the terms of the agreement, the Group made an upfront payment of USD 7 million (equivalent to RMB 46.4 million) to Tetraphase and capitalised such payment. The Group agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Tetraphase.

In June 2018 and May 2019, the Group made the milestone payment of USD 2.5 million (equivalent to RMB 16.6 million) and USD 3 million (equivalent to RMB 20.7 million) to Tetraphase, respectively, and capitalised such payments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS—continued

(b) License Agreement with Tetraphase Pharmaceuticals, Inc.—continued

Eravacycline—continued

In July 2019, the Group and Tetraphase entered into an amendment to the license agreement to expand the geographic coverage of the license to Malaysia, Thailand, Indonesia, Vietnam and the Philippines and paid an upfront payment of USD 2 million (equivalent to RMB 13.8 million) which was capitalised.

(c) Licensing Agreement with Novartis International Pharmaceutical Ltd. ("Novartis")

FGF401

In June 2018, the Group entered into an exclusive global licensing agreement with Novartis to develop and commercialize FGF401. Under this agreement, Novartis granted EverNov an exclusive license to develop, manufacture and commercialize Novartis' FGF4 inhibitor FGF401 and products containing FGF401 for all purposes worldwide.

Under the terms of the agreement, as discussed in Note 21, the total upfront fee was comprised of cash consideration of USD 20 million (equivalent to RMB 132.7 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov to Novartis Pharma AG, an affiliate entity of Novartis. The Group capitalised a total amount of USD 22.4 million (equivalent to RMB 148.3 million) based on cash payment and the fair value of the Series A-2 Convertible Preferred Shares. The Group also agreed to pay Novartis clinical development milestone payments, commercial milestone payments, as well as tiered royalties on worldwide net sales to Novartis.

Impairment test

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test was performed for each drug by engaging an independent appraiser to estimate fair value less cost to sell as the recoverable amount of each drug. The fair value is based on the multi-period excessive earning method and the Group estimated the forecast period till year 2035 for each drug based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each product. The estimated revenue of each drug is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are post-tax and reflect specific risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at 31 December 2018 and 2019 are as follows:

Etrasimod

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-37% to 215.6%	-29% to 680.9%
Recoverable amount of CGU (in RMB million)	309.9	773.2

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS—continued

(c) Licensing Agreement with Novartis International Pharmaceutical Ltd. ("Novartis")—continued

Impairment test—continued

Ralinepag

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-37% to 351.5%	-23.5% to 692.5%
Recoverable amount of CGU (in RMB million)	107.3	265.2

Eravacycline

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-30.7% to 187%	-21% to 2,474.3%
Recoverable amount of CGU (in RMB million)	1,019.6	814.1

FGF401

	As at 31 December 2018	As at 31 December 2019
Discount rate	15%	18%
Revenue growth rate	-41.9% to 17.4%	-41.9% to 17.4%
Recoverable amount of CGU (in RMB million)	403.3	310.4

Based on the result of above assessment, there was no impairment for the intangible asset as at 31 December 2018 and 2019.

The Group did not perform quantitative impairment test for above intangible assets as at 31 March 2020, because the Group's policy is to perform impairment test annually at 31 December, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with IAS 36 Impairment of assets. The Group did not identify any indication that the intangible assets would be impaired as at 31 March 2020.

Impairment test—sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determine the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

Etrasimod

	As at 31 December 2018 (in RMB million)	As at 31 December 2019 (in RMB million)
Headroom	248	676
Impact by increasing discount rate	(59)	(99)
Impact by decreasing revenue growth rate	(45)	(66)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS—continued

(c) Licensing Agreement with Novartis International Pharmaceutical Ltd. ("Novartis")—continued

Impairment test—sensitivity—continued

Ralinepag

	As at 31 December 2018	As at 31 December 2019
	(in RMB million)	(in RMB million)
Headroom	73	213
Impact by increasing discount rate	(24)	(44)
Impact by decreasing revenue growth rate	(15)	(24)

Eravacycline

	As at 31 December 2018	As at 31 December 2019
	(in RMB million)	(in RMB million)
Headroom	954	713
Impact by increasing discount rate	(117)	(88)
Impact by decreasing revenue growth rate	(107)	(78)

FGF401

	As at 31 December 2018	As at 31 December 2019
	(in RMB million)	(in RMB million)
Headroom	250	154
Impact by increasing discount rate	(75)	(52)
Impact by decreasing revenue growth rate	(51)	(40)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each intangible asset's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

(d) As disclosed in Note 30, upon the consummation of the acquisition of Everest II, the Group acquired four licenses held by Everest II. The amount in relation to the acquisition of those licenses were recognised as intangible assets based on its fair value upon consummation of the acquisition, with the total amount of RMB 1,265,971 thousand.

Taniborbactam

In September 2018, Everest II entered into an agreement with Venatorx, pursuant to which Venatorx granted Everest II an exclusive license to exploit for all uses in humans Venatorx's proprietary BLI, taniborbactam (formerly VNRX-5133), in combination with a ß-lactam, initially cefepime, in Mainland China, Macau, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS—continued

(d) As disclosed in Note 30, upon the consummation of the acquisition of Everest II, the Group acquired four licenses held by Everest II. The amount in relation to the acquisition of those licenses were recognised as intangible assets based on its fair value upon consummation of the acquisition, with the total amount of RMB 1,265,971 thousand.—continued

Taniborbactam—continued

Under the terms of this agreement, Everest II paid an upfront cash payment of USD 5.0 million (equivalent to RMB 33.2 million) and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Venatorx.

In January 2020, after the acquisition of Everest II, the Group made the milestone payment of USD 2 million (equivalent to RMB 13.9 million) to Venatorx and such payment was capitalised.

SPR206

In January 2019, Everest II entered into a license agreement with Spero through its wholly owned subsidiaries New Pharma License Holdings Limited, or NPLH, and Spero Potentiator, Inc., or Potentiator and NPLH has since assigned its assets to Spero. Pursuant to this agreement, NPLH granted Everest II an exclusive license to develop, manufacture and commercialize SPR206 in Mainland China, Hong Kong, Macau, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

Everest II paid NPLH an upfront payment of USD 2 million (equivalent to RMB 13.8 million) as partial consideration for rights to SPR206 and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Spero.

IMMU132 (Sacituzumab Govitecan)

In April 2019, Everest II entered into a license agreement with Immunomedics under which Immunomedics granted Everest II an exclusive license to develop and commercialize sacituzumab govitecan in Mainland China, Taiwan, Hong Kong, Macau, Indonesia, Philippines, Vietnam, Thailand, South Korea, Malaysia, Singapore or Mongolia.

In consideration for entering into this agreement, Everest II made a one-time, upfront payment to Immunomedics in the amount of USD 65 million (equivalent to RMB 448.2 million) and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Immunomedics.

In June 2020, after the acquisition of Everest II, the Group made a milestone payment of USD 60 million (equivalent to RMB 420 million) to Immunomedics and such payment was capitalised.

Nefecon

On 10 June 2019, Everest II entered into a license agreement with Calliditas who granted Everest II exclusive rights to develop and commercialize Nefecon in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 INTANGIBLE-ASSETS—continued

(d) As disclosed in Note 30, upon the consummation of the acquisition of Everest II, the Group acquired four licenses held by Everest II. The amount in relation to the acquisition of those licenses were recognised as intangible assets based on its fair value upon consummation of the acquisition, with the total amount of RMB 1,265,971 thousand.—continued

Nefecon—continued

Under the terms of the agreement, Everest II made an initial upfront payment of USD 15 million (equivalent to RMB 103.4 million) to Calliditas at signing of the agreement and capitalised such payment. Everest II also agreed to make development and regulatory milestone payments, commercial milestone payments, as well as tiered royalties on net sales to Caliditas.

In January 2020, after the acquisition of Everest II, the Group made the milestone payment of USD 5 million (equivalent to RMB 34.9 million) to Calliditas and such payment was capitalised.

Impairment test

As of 31 December 2019, considering the short period since the date of acquisition of Everest II (Refer to Note 30) and intangible assets acquired were recorded based on fair value, there was no impairment as at 31 December 2019 and 31 March 2020.

16 INVESTMENTS

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Advance to equity investments in I-Mab (a)	—	258,119	—
Investments in I-Mab – at FVOCI (a)	—	—	243,423
Investments in Venatorx – at FVTPL (b)	—	34,881	35,426
	—	293,000	278,849

(a) On 4 November 2019, the Group entered into an agreement with I-MAB to terminate the Collaboration Agreement with I-Mab, as described in Note 17. Pursuant to the termination agreement, the Group does not have any rights or entitlements to develop or commercialize the TJ202 Product or any economic interest in the commercialization of the TJ202 Product remaining at the effective time. In consideration of the termination of the collaboration and full and final settlement of such termination, a number of I-MAB's ordinary shares which equal to the termination amount of USD 37 million (equivalent to RMB 258.1 million) would be issued and delivered to the Group at no additional charge. The termination amount was calculated based on the sum of (1) USD 33.7 million (equivalent to RMB 235.1 million), which equals cumulative payments historically made by the Group under the Collaboration Agreement; and (2) a negotiated USD 3.3 million (equivalent to RMB 23 million) time cost of the foregoing historical payment in light of I-Mab's exclusive rights over the commercialization of TJ202 after this termination. The shares will be issued concurrently with, and subject to, the completion of I-Mab's initial public offering within 180 days from termination of the Collaboration Agreement. In the event that the initial public offering has not been completed within 180 days from the termination of the Collaboration Agreement, I-Mab will issue 4,762,751 ordinary shares to the Group on the 181st day. As the Group is not with any intention of resale, distribution or other disposition thereof and the I-Mab share is to compensate the historical payment made at the amount of USD 33.7 million (equivalent to RMB 235.1 million) in accordance with the Collaboration Agreement which was recorded as prepayment under other non-current assets, as at 31 December 2019, the Group recorded a right to receive equity investments worth of the amount of USD 37 million (equivalent to RMB 258.1 million) and recognized other income for the recovery of time cost of USD 3.3 million (equivalent to RMB 23 million) upon the effective date of the termination agreement.

On 17 January 2020, I-Mab completed its initial public offering with the offering price of USD 14.00 per ADS (or USD 6.09 per ordinary share) and therefore, the Group received 6,078,571 ordinary shares issued by I-Mab with 180-day lock-up period. The Group subsequently measures this investment at fair value and has elected to present fair value gains and losses on equity investment in other comprehensive income.

As of 31 March 2020, based on quoted market share price of I-Mab, the fair value of this investment was USD 34.4 million (equivalent to RMB 243.4 million), which is USD 2.6 million (equivalent to RMB 18.7 million) lower than the carrying value of USD 37 million (equivalent to RMB 262.1 million), and the difference of RMB 18.7 million was recorded in other comprehensive loss for the three months ended 31 March 2020.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16 INVESTMENTS—continued

(b) The Group acquired the investment in Venatorx Pharmaceuticals, Inc. ("Venatorx") through the acquisition of Everest II (Note 30). Everest II invested in 141,553 Series B convertible preferred stock (Series B Preferred Stock) issued by Venatorx in October 2018. The Series B Preferred Stock is a liability instrument from issuer's perspective as Venatorx cannot prevent deemed liquidation event from happening. Thus, the investment in Venatorx is classified as investment at fair value through profit or loss.

The investment in Venatorx is classified as Level 3 investment and the fair value of this investment is valued by reference to the recent, transaction price in April 2019, when Venatorx issued the same class of shares to a third party investor. During the period from April 2019 to 31 March 2020, the Group assessed whether fair value has changed, considering changes in circumstances such as: the current performance of Venatorx is significantly above or below the expectations at the time of the original investment; market, economic or company specific conditions have significantly improved or deteriorated since the time of the original investment. The result of such consideration provided indications whether the carrying value of the investment should be increased or decreased to represent fair value.

Based on the Group's assessment, there are no changes to the fair value of the investment in Venatorx, at the amount of USD 5 million, as of 31 December 2019 and 31 March 2020. The difference of carrying value is due to the foreign currency translation difference of RMB against USD at the date of each balance sheet.

The significant input in determining the fair value of the Group's investment is the recent transaction price. The higher the recent transaction price, the higher the fair value of the investment. The Group performed sensitivity test by increasing/ decreasing the recent transaction price and a 5% increase/ decrease in the recent transaction price, holding all other variables constant, would cause the carrying value of this investment by approximately RMB 1,744 thousand higher/lower and RMB 1,771 thousand higher/lower, as at 31 December 2019 and 31 March 2020, respectively.

17 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Prepayment for the collaboration agreement (a)	178,715	—	—
Others	1,218	3,261	2,883
	179,933	3,261	2,883

The Company

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Prepayment for the collaboration agreement (a)	178,715	—	—

(a) In January 2018, the Group entered into a collaboration agreement with I-Mab, pursuant to which the Group agreed to collaborate to co-develop and commercialize TJ202 for hematologic oncology indications in China, Hong Kong, Macau and Taiwan. I-Mab obtained this sublicensable license to exploit TJ202 from MorphoSys AG ('MorphoSys') under the license and collaboration agreement between I-Mab and MorphoSys in November 2017.

Under this agreement with I-Mab, the Group and I-Mab established a joint steering committee with equal representation from I-Mab and the Group to coordinate and oversee the development and commercialization regarding TJ202. I-Mab has final decision-making authority on matters related to developing TJ202. I-Mab is responsible for using commercially reasonable efforts to carry out the development, manufacture and supply of TJ202, and I-Mab is also responsible for seeking regulatory approval of TJ202. The Group will share with I-Mab the costs of developing TJ202, in the proportion of 75% for the Group and 25% for I-Mab, including the amounts due to MorphoSys under the license and collaboration agreement between I-Mab and MorphoSys. The agreement was terminated subsequently (Note 16(a)).

For the years ended 31 December 2018 and 2019, the Group paid US$ 26,040 thousand (equivalent to RMB172,742 thousand) and US$ 7,619 thousand (equivalent to RMB 52,533 thousand) to I-MAB, respectively. The payment to I-Mab is considered a prepayment for future commercial right upon the success of TJ202, which was recorded in other non-current assets. Upon the termination of collaboration with I-Mab, the Group derecognised the prepayment and recorded it as an advance to equity investment accordingly. See Note 16(a) for details.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets		
	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Assets as per statements of financial position			
Amortised cost:			
Amounts due from related parties	24,093	18,616	4,061
Prepayments and other current assets, excluding non-financial assets	392	161	431
Cash and cash equivalents	183,503	106,061	73,465
Fair value through profit and loss:			
Investments in Venatorx	—	34,881	35,426
Fair value through other comprehensive income:			
Investments in I-Mab	—	258,119	243,423
	207,988	417,838	356,806

	Financial liabilities		
	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Liabilities as per statements of financial position			
Amortised cost:			
Trade and other payables	25,136	80,779	96,138
Lease liabilities	16,738	40,759	49,238
Amounts due to related parties	2,686	17,233	17,092
Financial instruments issued to investors	—	279,048	389,680
Fair value through profit and loss:			
Financial instruments issued to investors	1,622,749	2,580,203	2,157,514
	1,667,309	2,998,022	2,709,662

19 PREPAYMENTS AND OTHER CURRENT ASSETS

The Group

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Value-added tax recoverable	1,103	3,941	4,079
Prepayments to suppliers	574	2,215	2,214
Deposits	392	161	431
Others	150	159	161
	2,219	6,476	6,885

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 PREPAYMENTS AND OTHER CURRENT ASSETS—continued

The Company

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	—	1,448	1,471

None of the above assets is past due or impaired. The financial assets included in the above balances related to deposits for which there was no history of default and the expected credit losses are considered minimal.

20 CASH AND CASH EQUIVALENTS

The Group

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash at bank	183,503	106,061	73,465
Cash and bank balances denominated in:			
—USD	180,445	98,499	54,805
—RMB	3,058	7,462	18,658
—SGD	—	100	2
	183,503	106,061	73,465

The Company

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash at bank	146,396	4,384	36,879

As at 31 December 2019 and 31 March 2020, cash and cash equivalents of the Company are mainly denominated in USD.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Non-current			
Preferred Shares issued by the Company (Note (a))	1,474,230	2,446,633	2,080,145
Preferred Shares issued by EverNov (Note (b))	22,236	17,300	15,020
Sub-total	1,496,466	2,463,933	2,095,165
Current			
Warrant liabilities to certain holders of Preferred Shares (Note (a))	126,283	116,270	62,349
Convertible notes (Note (c))	—	279,048	389,680
Sub-total	126,283	395,318	452,029
Total	1,622,749	2,859,251	2,547,194

(a) Preferred Shares and warrant issued by the Company

Issuance of Preferred Shares

Series A-1 Convertible Redeemable Preferred Shares

On 23 November 2017, pursuant to a share purchase agreement, the Company issued 50,000,000 Series A-1 Convertible Redeemable Preferred Shares to C-Bridge Investment Everest Limited ("C-Bridge"), at the purchase price of USD 1.00 per share for an aggregate purchase price of USD 50 million (equivalent to RMB 326.7 million). In connection with the issuance of Series A-1 Convertible Redeemable Preferred Shares, the Company issued Warrants Shares ("Series A-2 Warrants") to C-Bridge which entitle C-Bridge, at its sole discretion, the right to purchase 26,666,667 Series A-2 Convertible Redeemable Preferred Shares at the purchase price of USD 3.00 per share for an aggregate purchase price of USD 80 million (equivalent to RMB 522.7 million). Series A-2 Warrants have a term of 3 years from the issuance date. Series A-2 Warrants are classified as liabilities as Series A-2 Preferred Shares are contingently redeemable at the option of the holder and Series A-2 Warrants conditionally obligates the Company to ultimately transfer assets. The proceeds were allocated between Series A-1 Convertible Redeemable Preferred Shares and Series A-2 Warrants based on their relative fair value.

Series A-2, B-1 and B-2 Convertible Redeemable Preferred Shares

On 30 May 2018, pursuant to a share purchase agreement, the Company agreed to issue 5,555,556 and 2,777,778 Series B-1 Convertible Redeemable Preferred Shares to Tetrad Ventures Pte. Ltd. ("Tetrad") and C-Bridge II Investment Eight Limited ("C-Bridge II"), respectively, at the purchase price of USD 3.60 per share for an aggregate purchase price of USD 20 million (equivalent to RMB 132.7 million) and USD 10 million (equivalent to RMB 66.3 million) in cash, respectively. Preferred Shares were issued to Tetrad and C-Bridge II on 8 June 2018.

In connection with the issuance of Series B-1 Convertible Redeemable Preferred Shares, the Company issued Series A-2 Warrants to Tetrad which entitle Tetrad, at its sole discretion, the right to purchase 3,333,333 Series A-2 Convertible Redeemable Preferred Shares at the purchase price of USD 3.00 per share for an aggregate purchase price of USD 10 million (equivalent to RMB 66.3 million). Series A-2 Warrants have a term of 3 years from the issuance date.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares and warrant issued by the Company—continued

Issuance of Preferred Shares—continued

Series A-2, B-1 and B-2 Convertible Redeemable Preferred Shares—continued

Simultaneously, to facilitate the Company's financing, C-Bridge cancelled 26,666,667 Series A-2 Warrants which were previously issued by the Company, which was replaced by 13,333,333 Series A-2 Warrants newly issued to C-Bridge with the same terms. Accordingly, the Company recorded reserves of RMB 80.7 million as deemed contribution from C-Bridge II which represented the reversal of 13,333,334 Series A-2 Warrants of RMB 70.8 million and the excess of the purchase price over the fair value of the Series B-1 Convertible Redeemable Preferred Shares sold to C-Bridge II on the transaction date of RMB 10.1 million. On 30 August 2018, 3,333,333 Series A-2 Warrants were exercised by Tetrad to purchase 3,333,333 Series A-2 Convertible Redeemable Preferred Shares at an aggregate purchase price of USD 10 million (equivalent to RMB 66.3 million). Warrant liabilities were re-measured till the date when Tetrad exercised the Warrants and the Group recorded USD 15 million (equivalent to RMB 98.8 million) of Series A-2 Convertible Redeemable Preferred Shares. The Preferred Shares were issued to Tetrad on 31 December 2018.

Simultaneously, pursuant to a share purchase agreement, the Company agreed to issue 1,736,111 Series B-2 Convertible Redeemable Preferred Shares to an investor at the purchase price of USD 2.88 per share for an aggregate purchase price of USD 5 million (equivalent to RMB 33.2 million). Series B-2 Convertible Redeemable Preferred Shares were issued to this investor on 8 June 2018.

Pursuant to a share purchase agreement, the Company also agreed to issue 6,944,444 Series B-1 Convertible Redeemable Preferred Shares to C-Bridge II at the purchase price of USD 3.60 per share for an aggregate purchase price of USD 25 million (equivalent to RMB 165.1 million) in cash. On 2 July 2018, the Company recorded USD 4 million (equivalent to RMB 24.9 million) as reserves as deemed contribution from C-Bridge II which represented the excess of the purchase price over the fair value of the shares on the transaction date.

Series B-3 Convertible Redeemable Preferred Shares

On 25 November 2019, pursuant to an agreement and plan of merger dated as of 16 August 2019, the Company agreed to issue 38,362,045 Series B-3 Convertible Redeemable Preferred Shares to C-Bridge IV Investment Two Limited, the original shareholders of Everest II, as the consideration of the acquisition of Everest II. Refer to Note 30 for details.

Significant terms of Preferred Shares

Series A-1 and A-2 Convertible Redeemable Preferred Shares are collectively referred to as "Series A Preferred Shares" and Series B-1, B-2 and B-3 Convertible Redeemable Preferred Shares are collectively referred to as "Series B Preferred Shares" The significant terms of Series A-1, A-2, B-1, B-2 and B-3 Convertible Redeemable Preferred Shares (collectively referred to as "Preferred Shares") are summarized below:

Dividends

The holders of Preferred Shares shall be entitled to receive non-cumulative dividends at the rate of 8% per annum when declared by the Company's board of directors.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares and warrant issued by the Company—continued

Significant terms of Preferred Shares—continued

Redemption

The holders of Series A-1 and A-2 Convertible Redeemable Preferred Shares were not entitled to below redemption rights at the time of issuance but are redeemable at certain Deemed Liquidation Events (as defined in liquidation preference section below). In connection with the issuance of Series B-1 and B-2 Convertible Redeemable Preferred Shares, the Company amended its Memorandum of Articles of Association to grant below redemption rights to holders of all Preferred Shares.

At any time and from time to time on the fifth (5th) anniversary of 8 June 2018, if by then the Company fails to complete a Qualified Public Offering, each holder of the Preferred Shares may require that the Company redeem all or any part of the then outstanding Preferred Shares held by each holder. The redemption price shall be equal to the greater of (i) 100% of the applicable issuance price plus a 12% rate of return or (ii) 100% of the applicable issuance price plus any declared but unpaid dividends thereon up until the redemption. No other securities of the Company shall be redeemed unless and until the Company shall have redeemed all of the Series B Preferred Shares requested to be redeemed. After payment of the applicable redemption price in full on all Series B Preferred Shares to be redeemed, the Company shall redeem all of the Series A Preferred Shares requested to be redeemed.

If the Company fails to redeem any Preferred Shares on due date, the holder of such Preferred Shares shall be entitled to request the Company to pay the unpaid portion of the redemption price (A) by a six-months note, bearing an interest of 12% per annum or (B) by the other terms and mechanisms agreed by the Company and such holder of the Preferred Shares.

Liquidation preference

The holders of Series B Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series A Preferred Shares, the holders of Ordinary Shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the investment amount of the Series B Preferred Shares, plus any declared or accrued but unpaid dividends on its Series B Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

After setting aside or paying in full amount due for the holders of Series B Preferred Shares, the remaining assets of the Company available for distribution, if any, shall be distributed to the holders of Series A Preferred Shares, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Ordinary Shares or any other junior class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the investment amount of the Series A Preferred Shares, plus any declared or accrued but unpaid dividends on its Series A Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions).

If upon the occurrence of a liquidation, dissolution or winding up of the Company, the assets and funds thus distributed among the holders of each Series of Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred Shares Preference Amount, then the entire assets and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares and warrant issued by the Company—continued

Significant terms of Preferred Shares—continued

Liquidation preference—continued

funds of the Company legally available for distribution shall be distributed ratably among the holders of each Series of Preferred Shares in proportion to the Preferred Shares Preference Amount each such holder is otherwise entitled to receive.

Deemed Liquidation Events shall be treated as a liquidation event. "Deemed Liquidation Events" includes any transaction (treating any series of related transactions as a "transaction") involving (a) any sale, disposition, lease or conveyance by the Company of all or substantially all of its assets (including the sale or exclusive licensing of all or substantially all the intellectual property assets of the Company); (b) any merger or consolidation of the Company with or into any other corporation or corporations or other entity or entities or any other corporate reorganization after which the holders of the Company's voting Shares prior to such transaction own or control less than a majority of the outstanding voting shares of the surviving corporation or other entity on account of shares held by them prior to the transaction; or (c) a sale of a majority of the outstanding voting shares of the Company.

Voting rights

Each Preferred Share shall be entitled to the number of votes equal to the number of Ordinary Shares into which such Preferred Shares could be converted.

Conversion

The Preferred Shares are convertible, at the option of the holders, into the Company's Ordinary Shares at an initial conversion ratio of 1:1 at any time after the original issuance date subject to adjustment for dilution, included but not limited to stock splits, stock dividends and recapitalization.

In addition, each Preferred Share shall automatically be converted into Ordinary Shares at the then respective effective conversion price upon the closing of a Qualified Public Offering or upon the written consent of holders of at least two-thirds (2/3) of the outstanding Preferred Shares.

Measurement and subsequent accounting for Preferred Shares

The aforementioned series of Preferred Shares are classified as liabilities as the Company doesn't have the unconditional right to avoid delivery cash or another financial asset. In addition, the Preferred Shares are designated at fair value through profit or loss and initially recognised at fair value.

If the Company's own credit risk results in fair value changes in financial labilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts. During the Track Record Period, the fair value change due to the company's own credit risk has been immaterial.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares and warrant issued by the Company—continued

Measurement and subsequent accounting for Preferred Shares—continued

The Company has engaged an independent valuer to determine the fair value of Preferred Shares. The discounted cash flow method was used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the Preferred Shares as of the dates of issuance and at 31 December 2018 and 2019. For 31 March 2020, Backsolve method was used due to third-party financing with Series C preferred shareholder incurred close to 31 March 2020.

	As at 31 December		As at 31 March
	2018	2019	2020
Discount rate	14%	17%	21%
Discount of lack of marketability	15%~35%	15%~35%	15%~35%
Risk-free interest rate	2.5%	1.6%	0.3%
Expected volatility	68%	70%	82%

Sensitivity test

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of Preferred Shares issued by the Company and EverNov. The changes in unobservable inputs including discount rate, discount of lack of marketability and expected volatility will result in a significantly higher or lower fair value measurement. The increase in the fair value of Preferred Shares would increase the loss of fair value change in the consolidated statements of comprehensive loss. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs, and effect of those changes to the fair value of Preferred Shares is as below:

Unobservable inputs	Relationship of unobservable inputs to fair value	Effect
		(RMB thousand)
Discount rate	The higher the discount rate, the lower the fair value	1% increase/decrease change would result in (decrease)/increase in fair value of (217,494)/251,507 and (358,121)/ 415,768 as of 31 December 2018 and 2019, respectively.
Discount of lack of marketability	The higher the discount rate, the lower the fair value	5% increase/decrease change would result in (decrease)/increase in fair value of (93,238)/90,414 and (159,103)/ 163,183 as of 31 December 2018 and 2019, respectively.
Expected volatility	The higher the volatility, the lower the fair value	10% increase/decrease change would result in (decrease)/increase in fair value of (5,892)/2,982, and (19,143)/30,568 as of 31 December 2018 and 2019, respectively.

Under Backsolve method, the key unobservable input is expected volatility. When 10% increased/ (decreased) change in the expected volatility, the fair value of preferred shares would be increased/ (decreased) by RMB53,218 thousand/(22,843) thousand as of 31 March 2020.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares and warrant issued by the Company—continued

Sensitivity test—continued

The Company's Preferred Shares activities during the Track Record Period are summarized below:

	Series A-1 Convertible Redeemable Preferred Shares	Series A-2 Convertible Redeemable Preferred Shares	Series B-1 Convertible Redeemable Preferred Shares	Series B-2 Convertible Redeemable Preferred Shares	Series B-3 Convertible Redeemable Preferred Shares	EverNov Series A-2 Convertible Preferred Shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of January 1, 2018	206,481	—	—	—	—	—	206,481
Issuance	—	98,844	309,347	33,169	—	15,658	457,018
Fair value change	685,935	(23,661)	102,133	9,559	—	5,835	779,801
Currency translation differences	34,116	2,600	14,229	1,478	—	743	53,166
Balance as of December 31, 2018	926,532	77,783	425,709	44,206	—	22,236	1,496,466
Balance as of January 1, 2019	926,532	77,783	425,709	44,206	—	22,236	1,496,466
Issuance	—	—	—	—	883,489	—	883,489
Fair value change	(10,344)	(3,218)	(4,214)	—	71,420	(5,240)	48,404
Currency translation differences	15,137	1,243	6,960	727	11,203	304	35,574
Balance as of December 31, 2019	931,325	75,808	428,455	44,933	966,112	17,300	2,463,933
Balance as of January 1, 2019	926,532	77,783	425,709	44,206	—	22,236	1,496,466
Issuance	—	—	—	—	—	—	—
Fair value change	(84,339)	(6,747)	(20,616)	(2,108)	—	(1,619)	(115,429)
Currency translation differences	(17,342)	(1,456)	(8,002)	(831)	—	(417)	(28,048)
Balance as of March 31, 2019	824,851	69,580	397,091	41,267	—	20,200	1,352,989
Balance as of January 1, 2020	931,325	75,808	428,455	44,933	966,112	17,300	2,463,933
Fair value change	(163,819)	(13,245)	(61,771)	(6,898)	(152,430)	(2,510)	(400,673)
Currency translation differences	11,857	967	5,677	589	12,585	230	31,905
Balance as of March 31, 2020	779,363	63,530	372,361	38,624	826,267	15,020	2,095,165

Warrants

The Series A-2 Warrants were classified as derivative liabilities as the Series A-2 Preferred Shares are puttable financial instruments which contingently redeemable at the option of the holder and Series A-2 Warrants conditionally obligates the Company to ultimately transfer assets. The Warrants were recorded at fair value with changes in fair value recorded in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares and warrant issued by the Company—continued

Warrants—continued

The Company recognized a loss of RMB 83 million, a gain of RMB 12 million, a gain of RMB 14 million, and a gain of RMB 55 million from the change in fair value of the warrant liability for the years ended 31 December 2018 and 2019 and the three months period ended 31 March 2019 and 2020, respectively.

The Warrants are not traded in an active securities market, and as such, with the assistance from an independent valuation firm, the Company estimated their fair value using the binomial option pricing model with the following main assumptions:

	As at 31 December		As at 31 March
	2018	2019	2020
Stock price of Series A-2 Preferred Shares (USD)	4.01	4.27	2.73
Dividend yield	0%	0%	0%
Time to maturity	2 years	0.9 year	0.7 year
Risk-free interest rate	2.5%	1.6%	0.2%
Expected volatility	61%	68%	88%

Sensitivity test

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of warrant liabilities. The changes in unobservable inputs including expected volatility will result in a significantly higher or lower fair value measurement. An increase in the fair value of warrant liabilities would increase the loss of fair value change in the consolidated statements of comprehensive loss. When performing the sensitivity test, management applied an increase or decrease, which represents management's assessment of reasonably possible change to these unobservable inputs, and effect of those changes to the fair value of warrant liabilities is as below:

Unobservable inputs	Relationship of unobservable inputs to fair value	Effect
		(RMB thousand)
Expected volatility	The higher the volatility, the higher the fair value	10% increase/decrease change would result in increase/(decrease) in fair value of 6,706/(6,634), 3,449/(1,474), and 11,753/(9,008) as of 31 December 2018, 2019 and 31 March 2020, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares and warrant issued by the Company—continued

Sensitivity test—continued

The Company's warrant liabilities activities during the Track Record Period are summarized below:

	Warrant liabilities
	RMB'000
At 1 January 2018	120,229
Issuance of warrant	19,901
Exercise of warrant	(32,506)
Cancellation of warrant	(70,761)
Change in fair value	83,366
Currency translation differences	6,054
At 31 December 2018	126,283
At 1 January 2019	126,283
Change in fair value	(11,951)
Currency translation differences	1,938
At 31 December 2019	116,270
At 1 January 2019	126,283
Change in fair value	(14,395)
Currency translation differences	(2,356)
At 31 March 2019	109,532
At 1 January 2020	116,270
Change in fair value	(54,838)
Currency translation differences	917
At 31 March 2020	62,349

(b) Preferred Shares issued by EverNov

On 14 June 2018, the Company established EverNov Medicines Limited ("EverNov") as the Company's wholly owned subsidiary by subscribing 26,000,000 ordinary shares issued by EverNov.

On 20 June 2018, EverNov entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis") and obtained the right to research, develop and commercialize one compound FGF401. The total upfront fee paid for the license included cash consideration of USD 20 million (equivalent to RMB 133 million) and 4,000,000 Series A-2 Convertible Preferred Shares issued by EverNov (See Note 15(c) for details). On the same date, EverNov issued 21,000,000 Series A-1 Convertible Preferred Shares to the Company, at the purchase price of USD 1.00 per share for an aggregate purchase price of USD 21 million (equivalent to RMB 139 million) in cash.

Pursuant to the Memorandum of Articles of Association of EverNov, Novartis has the option to request EverNov to redeem its equity interests at USD 4 million (equivalent to RMB 27 million) upon certain deemed liquidation events. Therefore, the Company designated the Series A-2 Convertible Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(c) Convertible notes

On 17 July 2019, Everest II entered into an agreement with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD 20 million (equivalent to RMB 137.9 million). The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of this note and prior to the repayment in full, the holder of convertible notes is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Everest II at the conversion price to be mutually agreed. Upon the consummation of the acquisition of Everest II, this note was terminated and cancelled, and replaced by a note issued by the Company to C-Bridge IV Investment Nine Limited with the same amount and term.

In August 2019, Everest II entered into another agreement with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD 20 million (equivalent to RMB 137.9 million). The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of this note and prior to the repayment in full, the holder is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Everest II at the conversion price to be mutually agreed. On 1 December 2019, this note was assigned and transferred to the Company with the same amount and term.

On 31 January 2020 and 8 March 2020, the Company entered into agreements with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD 5 million (equivalent to RMB 35 million) and USD 10 million (equivalent to RMB 70 million), respectively. The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of these notes and prior to the repayment in full, the holder of convertible notes is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Company at the conversion price to be mutually agreed.

The convertible notes issued to C-Bridge IV Investment Nine Limited in an aggregate amount of US$55 million (equivalent to RMB 390 million as at 31 March 2020) are considered bridge loans in nature that were expected to and subsequently be converted in connection with the sale and purchase of certain Series C-2 Convertible Redeemable Preferred Shares as described in subsequent event (Note 32). The notes were convertible into the preferred shares at the conversion price to be mutually agreed between the holder and the Company at the time of conversion. The value of conversion option entitled to the holder is zero and it is in substance a pre-emptive right to purchase preferred shares issued by the Company at the then fair value in the future. Hence the conversion option does not meet the definition of a derivative, thus not an derivative for accounting purpose. The convertible notes were subsequently measured at amortised cost and the fair value of the convertible notes approximates their carrying amounts.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22 LEASE LIABILITIES

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Minimum lease payments due			
—Within 1 year	6,028	10,893	18,424
—Between 1 and 2 years	6,249	9,189	11,767
—Between 2 and 5 years	7,709	23,750	23,117
—Over 5 years	—	3,222	1,611
	19,986	47,054	54,919
Less: future finance charges	(3,248)	(6,295)	(5,681)
Present value of lease liabilities	16,738	40,759	49,238
Portion classified as current liabilities	5,820	10,543	18,089
Portion classified as non-current liabilities	10,918	30,216	31,149
Present value of lease liabilities due			
—Within 1 year	5,820	10,543	18,089
—Between 1 and 2 years	5,609	8,398	10,803
—Between 2 and 5 years	5,309	19,307	19,082
—Over 5 years	—	2,511	1,264
	16,738	40,759	49,238

The following table sets forth the discount rate of our lease liabilities as the dates indicated:

	As at 31 December		As at 31 March
	2018	2019	2020
	%	%	%
Lease liabilities	0.2%-13.71%	0.2%-13.71%	0.2%-13.71%

The Group leases various properties for operation and these liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

The statement of profit or loss shows the following amounts relating to leases:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets				
Leased properties	(4,438)	(7,207)	(1,497)	(2,384)
Interest expense (included in finance costs)	(1,348)	(2,002)	(409)	(630)
Expense relating to short-term leases (included in general and administrative expenses)	(62)	(595)	—	(707)
Expense relating to short-term leases (cost of other income)	—	(1,191)	—	—

The total cash outflow for leases for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020 were RMB 5,532 thousand and RMB 8,302 thousand and RMB 994 thousand and RMB 1,620 thousand, respectively.

Information about right-of-use assets is set out in Note 14.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

22 LEASE LIABILITIES—continued

As of 31 March 2020, lease liabilities include the Group's lease of office in Hong Kong and Singapore from CBC Group Investment Management, Ltd, a related party, at the amount of RMB 10,685 thousand. The lease terms are 21 months and 36 months with monthly rental payment of USD 40 thousand and USD 19 thousand, respectively.

As at 31 December 2018 and 2019 and 31 March 2020, the Group leases some office and equipment under irrevocable lease contracts with lease term less than one year and leases of low value assets that have been exempted from recognition of right-of-use assets as permitted under IFRS16. The future aggregate minimum lease payment under irrevocable lease contracts for these exempted contracts are as follows:

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
No later than 1 year	—	2,119	2,396

23 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade payables (Note (a))	1,646	40,057	60,758
Payables for service suppliers (Note (a))	5,865	10,806	7,766
Salary and staff welfare payables	16,206	23,612	18,003
Payables for property and equipment	—	367	22
Payables for individual income tax	—	1,499	5,802
Others	1,419	4,438	3,787
	25,136	80,779	96,138

As at 31 December 2018 and 2019 and 31 March 2020, all trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

(a) As at 31 December 2018 and 2019 and 31 March 2020, the ageing analysis of trade payables and payables for service suppliers based on invoice date are as follows:

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
—Within 1 year	7,511	50,863	68,524

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 TRADE AND OTHER PAYABLES—continued

The Company

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade payables (Note (a))	—	20,077	17,279
Payables for service suppliers (Note (a))	57	3,005	135
Salary and staff welfare payables	13,971	1,996	4,395
Others	—	10	7
	14,028	25,088	21,816

(a) As at 31 December 2018 and 2019 and 31 March 2020, the aging analysis of trade payables and payables for service suppliers based on invoice date are as follows:

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
—Within 1 year	57	23,082	17,414

24 SHARE CAPITAL

Share capital of the Company

	Number of shares	Nominal value of shares in USD
Authorized		
Authorized shares upon incorporation and as at 31 December 2018 and 2019, and 31 March 2020 (a)	500,000,000	50,000

Issued	Number of shares	Nominal value of shares in USD	Nominal value of shares in RMB
As at 1 January 2018 (a)	3,365,855	337	2,202
Issuance of ordinary shares (b)	334,146	33	219
As at 31 December 2018	3,700,001	370	2,421
As at 1 January 2019	3,700,001	370	2,421
Issuance of ordinary shares (b)(c)	21,325,761	2,133	14,700
As at 31 December 2019	25,025,762	2,503	17,121
As at 1 January 2019	3,700,001	370	2,421
Issuance of ordinary shares (b)	500,000	50	337
As at 31 March 2019	4,200,001	420	2,758
As at 1 January 2020 and 31 March 2020	25,025,762	2,503	17,121

(a) The Company was incorporated in the Cayman Islands on 14 July 2017 with an authorized share capital of USD50,000 divided into 500,000,000 ordinary shares of a par value of USD0.0001 each. On the same date, the Company issued 1 ordinary share to Harneys Fiduciary (Cayman) Limited, which was immediately transferred to C-Bridge Investment Everest Limited for nominal purchase price. The share was subsequently cancelled on 23 November 2017 and on the same date, 3,365,855 Ordinary Shares were issued as restricted shares to certain management personnel.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 SHARE CAPITAL—continued

Share capital of the Company—continued

Authorized ordinary share number was decreased in the Track Record Period as the result of division for the issuance of preferred shares. As of 31 March 2020, the authorized shares of the Company are 500,000,000 divided into: (i) 377,957,399 Ordinary Shares of a par value of USD 0.0001 each, (ii) 50,000,000 Series A-1 Convertible Redeemable Preferred Shares of a par value of USD 0.0001 each, (iii) 16,666,667 Series A-2 Convertible Redeemable Preferred Shares of a par value of USD 0.0001 each, (iv) 15,277,778 Series B-1 Convertible Redeemable Preferred Shares of a par value of USD 0.0001 each, and (v) 1,736,111 Series B-2 Convertible Redeemable Preferred Shares of a par value of USD 0.0001 each, and (vi) 38,362,045 Series B-3 Convertible Redeemable Preferred Shares of a par value of USD 0.0001 each.

(b) For the years ended 31 December 2018 and 2019, 334,146 and 500,000 Ordinary Shares were issued, respectively, as part of share-based compensation. Refer to Note 25 (d) for details.

(c) On 25 November 2019, the Company issued 20,384,492 Ordinary Shares as the consideration of the acquisition of Everest II. Refer to Note 30 for details. In addition, the Company issued 441,269 Ordinary Shares in accordance with the anti-dilution mechanism set forth in Second Amended and Restated Shareholders Agreement.

(d) Subsequent to 31 March 2020, a total of 297,248 stock options were exercised by the Group's employees and ordinary shares were issued to them accordingly.

25 SHARE-BASED COMPENSATION

(a) Restricted ordinary shares

On 23 November 2017, the Company's board of directors approved the issuance of 3,365,855 Ordinary Shares that are restricted shares to certain management personnel ("Management Shareholders"). Restricted Shares Agreements were signed with these Management Shareholders in consideration of their continuous service for the Company.

The restricted shares shall be released in accordance with the following schedule: (A) one-third (1/3) of such restricted shares shall be released on the first anniversary of the commencement date of the service of the Management Shareholder for the Company; (B) the remainder of such restricted shares shall be released in twenty-four (24) equal monthly instalments commencing on the first anniversary of the commencement date.

The following table summarizes the Group's restricted shares activities:

	Numbers of shares	Weighted-average grant date fair value
		USD
Nonvested shares at 1 January 2018	2,607,499	0.21
Vested	(1,267,390)	0.21
Nonvested shares at 31 December 2018	1,340,109	0.21
Nonvested shares at 1 January 2019	1,340,109	0.21
Vested	(762,579)	0.21
Nonvested shares at 31 December 2019	577,530	0.21
Nonvested shares at 1 January 2019	1,340,109	0.21
Vested	(280,488)	0.21
Nonvested shares at 31 March 2019	1,059,621	0.21
Nonvested shares at 1 January 2020	577,530	0.21
Canceled	(24,830)	0.21
Forfeited	(552,700)	0.21
Nonvested shares at 31 March 2020	—	

Pursuant to the Restricted Shares Agreements with two of the Management Shareholders, their vesting commencement dates were set earlier than the grant date to compensate for their services provided in associated with the incorporation of the Company. Therefore, one-third of restricted ordinary shares had been vested at the grant date.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 SHARE-BASED COMPENSATION—continued

(a) Restricted ordinary shares—continued

Share-based compensation expenses for the restricted shares were measured using the fair value of the Company's ordinary shares of USD 0.21 at the grant date and were recognised in the consolidated statements of comprehensive loss by using graded vesting method over the vesting term.

The share-based compensation expenses for the restricted shares recognized for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 were RMB 1,700 thousand, RMB 732 thousand and RMB 221 thousand, respectively. Such expense was insignificant for the three months ended 31 March 2020.

As of 31 December 2018 and 2019 and 31 March 2020, there was RMB 898 thousand, RMB 172 thousand and RMB nil of unrecognized shared-based compensation expenses related to restricted shares, which is expected to be recognized over a weighted-average period of 1.17, 0.69 and nil years.

(b) Stock Option Plan

On 23 November 2017, the board of directors adopted a Stock Option Plan for Management Shareholders for issuance of stock options to Management Shareholders ("Stock Option Plan for Management Shareholders"). Such Plan has a contractual term of ten (10) years from the adoption date, and grants under the Plan vest over a period of three years of continuous service, with one-third (1/3) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 24 months.

On 25 December 2018, the board of directors adopted a Stock Option Plan for Employees for issuance of stock options to employee, officer, director, contractor, advisor or consultant of the Group ("Stock Option Plan for Employees"). Such Plan has a contractual term of ten (10) years from adoption date, and grants under the Plan vest over a period of four years of continuous service, with one-fourth (1/4) vesting upon the first anniversary of the stated vesting commencement date and the remaining vesting ratably over the following 12 quarters.

Under both the Stock Option Plan for Management Shareholders and the Stock Option Plan for Employees, stock options granted are only exercisable upon the occurrence of an initial public offering by the Company.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 SHARE-BASED COMPENSATION—continued

(b) Stock Option Plan—continued

The following table summarizes the Group's stock option activities:

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		USD		RMB' 000
Outstanding at 1 January 2018	5,048,779	0.18	9.90	990
Granted	2,598,093	0.28		
Outstanding at 31 December 2018	7,646,872	0.21	9.27	99,030
Outstanding at 1 January 2019	7,646,872	0.21	9.27	99,030
Granted	309,451	0.35		
Cancelled	(334,146)	0.18		
Outstanding at 31 December 2019	7,622,177	0.22	8.28	111,122
Outstanding at 1 January 2019	7,646,872	0.21	9.27	99,030
Outstanding at 31 March 2019	7,646,872	0.21	9.02	95,099
Outstanding at 1 January 2020	7,622,177	0.22	8.28	111,122
Granted	10,742,598	0.32		
Cancelled	(2,245,902)	0.18		
Outstanding at 31 March 2020	16,118,873	0.28	9.32	163,536

The weighted-average grant date fair value for options granted during the years ended 31 December 2018 and 2019 and the three month ended 31 March 2020 was USD 0.66 (equivalent to RMB 4.38), USD 0.67 (equivalent to RMB 4.62) and USD 0.87 (equivalent to RMB 6.06), respectively, computed using the binomial option pricing model, with the assumptions (or ranges thereof) in the following table:

	Year ended 31 December 2018	Year ended 31 December 2019	Three months ended 31 March 2020
Exercise price (USD)	0.18 or 0.59	0.18 or 0.59	0.18 or 1.21
Fair value of the ordinary shares on the date of option grant (USD)	2.10	2.50	1.05
Risk-free interest rate	2.69%	2.51%	1.03%
Expected term (in years)	10	10	10
Expected dividend yield	0%	0%	0%
Expected volatility	88%	93% or 98.4%	81.6%
Expected forfeiture rate (post-vesting)	10%	10%	10%

The share-based compensation expenses for the stock options recognized for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020 were RMB 8,161 thousand, RMB 14,213 thousand, RMB 5,698 thousand and RMB 24,502 thousand, respectively.

As of 31 December 2018 and 2019 and 31 March 2020, there were unrecognized shared-based compensation expenses of RMB 24,458 thousand, RMB 12,764 thousand and RMB 52,501 thousand related to stock options, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 SHARE-BASED COMPENSATION—continued

(b) Stock Option Plan—continued

On 17 February 2020, the Company's board of directors approved the modification of exercise price of stock options granted to certain employees. The incremental compensation cost assessed at the date of modification is insignificant and continued to be recognized over the remainder of the vesting period.

(c) Other share-based compensation arrangements

On 31 May 2018, upon the approval of the board of directors, a total number of 500,000 stock options were granted to one of the Company's employees, as part of the compensation offered to this employee who is responsible for the development of one drug candidate. The options were fully vested at the time of grant with no further vesting conditions and this employee can exercise the option at the price of USD 1 per share after the earlier of (i) completion by the employee of the relevant filings with PRC State Administration of Foreign Exchange, or (ii) initial public offering of the Company. Share-based compensation expense of RMB 1,316,279 were recognized for the year ended 31 December 2018. As of 31 December 2018, the total proceeds were received by the Company and the options were subsequently exercised in March 2019.

The grant date fair value for options granted under the above arrangement was computed using the binomial option pricing model, with key assumptions including the fair value of the ordinary shares on the grant date of USD 0.76, risk-free interest rate of 3.06% and expected volatility of 89.1%, etc.

On 22 June 2018, a total number of 334,146 ordinary shares were issued to certain employees of the Company, at the consideration of USD 33 (equivalent to RMB 226), which equals to the par value of ordinary shares issued. These employees are also scientists recruited by the Company who are responsible for the development of a drug candidate, thus the ordinary shares issued to these employees at par value is also determined to be part of the compensation to them.

The Company measured the share-based compensation expenses using the estimated fair value of the Company's ordinary shares of RMB 1,684,660 at issuance date and was fully recognized on grant date as there were no further service conditions.

In connection with the issuance of the ordinary shares, these employees also entered into an agreement with C-Bridge, a shareholder of the Company, which grants these employees an put option to sell all of the shares to C-Bridge for an aggregate price of USD 1 million (equivalent to RMB 6.8 million) at any time after 1 August 2018 and before first anniversary of the issuance date, i.e. 30 June 2019.

The Company considers that C-Bridge provided certain guarantees (in the form of put options) to these employees for its transaction with the Company and the value of C-Bridge's guarantee, which is the difference between USD 1 million (equivalent to RMB 6.8 million) and the total fair value of ordinary shares issued, is considered as a shareholder contribution from C-Bridge to the Company and such contribution from the controlling shareholder should be pushed down to the Company. Therefore, additional share-based compensation expenses of RMB 5,094,992 were recorded by the Company as a shareholder contribution. This put option was subsequently expired as these employees did not exercise the option and there was no further accounting impact.

On 6 March 2020, Everest Management Holding Co., Ltd ("ManCo"), the shareholder of the Company, granted restricted shares of ManCo to the Group's directors for their services provided to

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25 SHARE-BASED COMPENSATION—continued

(c) Other share-based compensation arrangements—continued

the Group. The share-based compensation expenses for such restricted shares for the three months ended 31 March 2020 were RMB 10,032,673 and were pushed down to the Group accordingly.

26 RESERVES

The Group

	Capital reserve	FVOCI reserve	Exchange reserve	Accumulated deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	3,951	—	76	(28,787)	(24,760)
Loss for the year	—	—	—	(991,674)	(991,674)
Share-based compensation	17,812	—	—	—	17,812
Dividend distribution (a)	—	—	—	(22,878)	(22,878)
Deemed contribution from shareholders	105,588	—	—	—	105,588
Foreign currency translation	—	—	(31,659)	—	(31,659)
At 31 December 2018	127,351	—	(31,583)	(1,043,339)	(947,571)
At 1 January 2019	127,351	—	(31,583)	(1,043,339)	(947,571)
Issuance of ordinary shares	297,979	—	—	—	297,979
Loss for the year	—	—	—	(214,512)	(214,512)
Share-based compensation	14,945	—	—	—	14,945
Foreign currency translation	—	—	(15,314)	—	(15,314)
Exercise of stock option	3,374	—	—	—	3,374
At 31 December 2019	443,649	—	(46,897)	(1,257,851)	(861,099)
At 1 January 2019	127,351	—	(31,583)	(1,043,339)	(947,571)
Issuance of ordinary shares	—	—	—	—	—
Profit for the year	—	—	—	99,123	99,123
Share-based compensation	5,918	—	—	—	5,918
Foreign currency translation	—	—	17,924	—	17,924
Exercise of stock option	3,374	—	—	—	3,374
At 31 March 2019	136,643	—	(13,659)	(944,216)	(821,232)
At 1 January 2020	443,649	—	(46,897)	(1,257,851)	(861,099)
Profit for the year	—	—	—	303,959	303,959
Share-based compensation	33,899	—	—	—	33,899
Change in fair value of financial assets at FVOCI	—	(18,423)	—	—	(18,423)
Foreign currency translation	—	—	(8,225)	—	(8,225)
At 31 March 2020	477,548	(18,423)	(55,122)	(953,892)	(549,889)

(a) NiKang Therapeutics, Inc. ("Nikang"), a wholly-owned subsidiary of the Company, was incorporated on 28 July 2017. Nikang was engaged in research and development of drug candidate in early stage.

On 11 April 2018, the Company's board of directors resolved to declare and authorize a dividend to C-Bridge in the form of the Company's total equity interests in Nikang. The transaction was completed on April 30, 2018. As the disposal is a common control transaction, the carrying amount of the net

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26 RESERVES—continued

The Group—continued

asset of Nikang of RMB 22,912 thousand (including cash and cash equivalent balance of RMB 21,714 thousand) was recorded as dividend distribution to C-Bridge who did not pay any consideration to the Company in exchange of the shares of NiKang. The dividend distribution is recorded in accumulated deficit.

The Company

	Capital reserve	FVOCI reserve	Exchange reserve	Accumulated deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	3,951	—	56	(21,312)	(17,305)
Loss for the year	—	—	—	(880,196)	(880,196)
Share-based compensation	17,812	—	—	—	17,812
Dividend distribution	—	—	—	(22,878)	(22,878)
Deemed contribution from shareholders	105,588	—	—	—	105,588
Foreign currency translation	—	—	(27,099)	—	(27,099)
At 31 December 2018	127,351	—	(27,043)	(924,386)	(824,078)
At 1 January 2019	127,351	—	(27,043)	(924,386)	(824,078)
Issuance of ordinary shares	297,979	—	—	—	297,979
Loss for the year	—	—	—	(95,954)	(95,954)
Share-based compensation	14,945	—	—	—	14,945
Exercise of stock option	3,374	—	—	—	3,374
Foreign currency translation	—	—	(10,910)	—	(10,910)
At 31 December 2019	443,649	—	(37,953)	(1,020,340)	(614,644)
At 1 January 2019	127,351	—	(27,043)	(924,386)	(824,078)
Profit for the year	—	—		119,204	119,204
Share-based compensation	5,918	—	—	—	5,918
Exercise of stock option	3,374	—	—	—	3,374
Foreign currency translation	—	—	12,756	—	12,756
At 31 March 2019	136,643	—	(14,287)	(805,182)	(682,826)
At 1 January 2020	443,649	—	(37,953)	(1,020,340)	(614,644)
Profit for the year	—	—	—	416,822	416,822
Share-based compensation	33,899	—	—	—	43,586
Change in fair value of financial assets at FVOCI	—	(18,423)	—	—	(18,423)
Foreign currency translation	—	—	(2,518)	—	(2,518)
At 31 March 2020	477,548	(18,423)	(40,471)	(603,518)	184,864

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Major non-cash transactions

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Licensing expense in the form of preferred shares	15,655	—	—	—
Deemed contribution from shareholders	(34,827)	—	—	—
Fair value changes of financial instruments	863,167	36,453	(129,824)	(455,511)
Acquisition of Everest II by issuance of Series B-3 Preferred Shares	—	883,489	—	—
Issuance of preferred share	32,506	—	—	—
Exercise of warrant	(32,506)	—	—	—
Cancellation of warrant	(70,761)	—	—	—
Issuance of preferred shares	99,507	—	—	—
Conversion of convertible notes to preferred shares (a)	(99,507)	—	—	—
Convertible notes transferred from Everest II	—	275,812	—	—
Exercise of stock option	—	(3,448)	—	—
Net addition of right-of-use assets	5,658	29,771	1,886	8,705
	778,892	1,222,077	(127,938)	(446,806)

(a) USD 10 million (equivalent to RMB 66.3 million) convertible note issued on 13 April 2018, which was converted into Series B-1 Convertible Redeemable Preferred Shares on 30 May 2018;

USD 5 million (equivalent to RMB 33.2 million) convertible note issued on 24 April 2018, which was converted into Series B-2 Convertible Redeemable Preferred Shares on 30 May 2018.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

(ii) Financial liabilities from financing cashflow

	Other non-current liability	Preferred shares	Lease liabilities	Borrowings	Warrants	Convertible notes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	—	206,481	14,484	—	120,229	—	341,194
Financing cash flows in	3,317	344,177	—	—	19,901	99,507	466,902
Financing cash flows out	—	—	(5,532)	—	—	—	(5,532)
Interest expenses	—	—	1,348	—	—	—	1,348
Non-cash transactions	—	892,642	5,658	—	(19,901)	(99,507)	778,892
Foreign currency translation	115	53,166	780	—	6,054	—	60,115
At 31 December 2018	3,432	1,496,466	16,738	—	126,283	—	1,642,919
Financing cash flows in	—	—	—	70,298	—	—	70,298
Financing cash flows out	—	—	(8,302)	—	—	—	(8,302)
Interest expenses	—	—	2,002	—	—	—	2,002
Asset acquisitions	—	—	—	(70,298)	—	—	(70,298)
Non-cash transactions	(3,448)	931,893	29,771	—	(11,951)	275,812	1,222,077
Foreign currency translation	16	35,574	550	—	1,938	3,236	41,314
At 31 December 2019	—	2,463,933	40,759	—	116,270	279,048	2,900,010
Financing cash flows in	—	—	—	—	—	104,565	104,565
Financing cash flows out	—	—	(1,620)	—	—	—	(1,620)
Interest expenses	—	—	630	—	—	—	630
Non-cash transactions	—	(400,673)	8,705	—	(54,838)	—	(446,806)
Foreign currency translation	—	31,905	764	—	917	6,067	39,653
At 31 March 2020	—	2,095,165	49,238	—	62,349	389,680	2,596,432

28 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The equity holders, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(i) Name and relationship with related parties are set out below:

CBC Group, mainly comprises C-Bridge Healthcare Fund II, L.P., C-Bridge Investment Everest Limited, C-Bridge II Investment Eight Limited, C-Bridge Healthcare Fund IV, L.P., C-Bridge IV

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 RELATED PARTY TRANSACTIONS—continued

(i) Name and relationship with related parties are set out below—continued:

Investment Two Limited, C-Bridge IV Investment Nine Limited Ltd., C-Bridge Capital Investment Management, Ltd. ("C-Bridge Capital"), CBC Group Investment Management, Ltd, C-Bridge Value Creation Limited and Everest Management Holding Co., Ltd. (formerly known as Everest II BD Holding Co., Ltd). As at 31 March 2020, C-Bridge Healthcare Fund II, L.P. and C-Bridge Healthcare Fund IV, L.P., own 73% of shares in the Group on a collective basis.

Name of related party	Relationship
I-Mab	Significant influence investee held by CBC Group
Everest Medicines II Limited ("Everest II") (Before November 25, 2019, refer to Note 30)	Controlled by CBC Group before the acquisition of Everest II
Shanghai Kangshida Management Consulting Co., Ltd. (Kangshida)	Entity controlled by CBC Group
Affamed Therapeutics Limited ("Affamed")	Entity controlled by CBC Group
CMAB Biopharma Limited ("CMAB")	Entity controlled by CBC Group
NiKang Therapeutics, Inc. ("Nikang") (became a related party from April 30, 2018, refer to Note 26)	Entity controlled by CBC Group after the disposal

Save as disclosed elsewhere in Note 13, 21, 22, 25 and 32 in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period.

(ii) Transactions

These transactions were conducted in the normal course of business at prices and terms mutually agreed among the parties.

(a) Provision of consultancy services to related parties

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Everest II	19,511	101,024	20,546	—
C-Bridge Capital	5,075	13,734	2,051	3,683
Affamed	—	3,117	712	761
CMAB	—	3,367	—	1,395
Nikang	757	218	54	27
	25,343	121,460	23,363	5,866

(b) Rental fees charged to a related party

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Kangshida	—	434	—	329

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 RELATED PARTY TRANSACTIONS—continued

(ii) Transactions—continued

(c) Management consultancy services provided by related parties

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
C-Bridge Value Creation Limited	—	—	—	12,896
CBC Group Investment Management, Ltd.	—	—	—	1,245
Everest Management Holding Co., Ltd.	—	2,507	—	—
C-Bridge Capital	2,596	—	—	—
	2,596	2,507	—	14,141

(d) Payment for commercialization right

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
I-Mab (Note 16)	172,742	52,533	30,002	—

(e) Borrowings from a related party

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Everest II (Note 28)	—	70,298	—	—

Borrowings received from Everest II is non-trade in nature, interest free, unsecured and repayable on demand. They were eliminated upon the Company's acquisition of Everest II.

(iii) Balances

(a) Amount due from related parties

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Everest II	20,185	—	—
Kangshida	—	241	—
C-Bridge Capital	3,124	13,821	—
Nikang	784	1,017	1,062
CMAB	—	2,742	1,418
Affamed	—	795	1,581
	24,093	18,616	4,061

The above balances with related parties were mainly denominated in USD. They were unsecured, trade in nature and non-interest bearing.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 RELATED PARTY TRANSACTIONS—continued

(iii) Balances—continued

(a) Amount due from related parties—continued

None of the above receivables is past due or impaired. The financial assets related to amount due from related parties for which there was no history of default and the expected credit losses are considered minimal.

(b) Amount due to related parties

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
C-Bridge Value Creation Limited	—	—	13,108
Everest Management Holding Co., Ltd.	—	13,255	—
CBC Group Investment Management, Ltd.	—	3,978	3,984
C-Bridge Capital	2,686	—	—
	2,686	17,233	17,092

The above balances with related parties were mainly denominated in USD. They were unsecured, trade in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

(iv) Key management compensation:

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Years ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and bonuses	17,413	34,109	5,571	11,274
Contributions to pension plans	131	295	58	81
Housing funds, medical insurance and other social insurance	248	830	168	304
Share-based payments	3,311	4,551	3,368	29,932
	21,103	39,785	9,165	35,591

Company

(a) Amount due from related parties

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Everest II	20,185	—	—
C-Bridge Capital	875	3,654	—
Affamed	—	109	110
	21,060	3,763	110

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 RELATED PARTY TRANSACTIONS—continued

Company—continued

(a) Amount due from related parties—continued

The above balances with related parties were mainly denominated in USD, unsecured, service provision in nature and non-interest bearing. Their fair values approximated their carrying amounts as at 31 December 2018, 2019 and 31 March 2020.

None of the above receivables is past due or impaired. The financial assets related to amount due from related parties for which there was no history of default and the expected credit losses are considered minimal.

(b) Amount due to related parties

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
C-Bridge Value Creation Limited	—	—	13,108
Everest Management Holding Co., Ltd.	—	2,151	—
CBC Group Investment Management, Ltd.	—	—	3,984
C-Bridge Capital	2,686	—	—
	2,686	2,151	17,092

The above balances with related parties were mainly denominated in USD, unsecured, service provision in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

29 COMMITMENTS

Other than disclosed in Note 22, the Group did not have operating and capital commitments.

30 ACQUISITION OF EVEREST II

On 16 August 2019, the Company and the Company's subsidiary, Everest Subsidiary Limited (the "Merger Sub") entered into an Agreement and Plan of Merger with Everest Medicines II Limited ("Everest II") and its shareholders. Pursuant to the agreement, the Merger Sub would be merged with Everest II and the separate existence of the Merger Sub would be ceased. In connection with the acquisition of Everest II, the Company agreed to issue 38,362,045 Series B-3 Convertible Redeemable Preferred Share to C-Bridge IV Investment Two Limited, the preferred shareholder of Everest II and 20,384,492 Ordinary Shares to existing ordinary shareholders of Everest II. In addition, the Company agreed to issue a convertible promissory note of USD 20,000 thousand (equivalent to RMB 140,596 thousand) to C-Bridge IV Investment Nine Limited with an interest rate of 8% per annum and repayment term of six months to replace the promissory note of the same terms issued to C-Bridge IV Investment Nine Limited by Everest II on 17 July 2019. The acquisition of Everest II was completed on 25 November 2019 and Everest II continued as a surviving entity and became the Company's wholly-owned subsidiary.

Everest II has exclusively licensed in four drug candidates and those licenses for IPR&D are intellectual properties. The Group adopted the Amendments to IFRS 3, *Definition of a business* in the Track Record Period. The concentration test was firstly performed to determine if substantially all of

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. Each license is different in terms of the nature, type and risk characteristics associated with managing and creating outputs from these licenses, and each license has more than an insignificant fair value. Therefore, the Group concluded that Everest II had multiple licenses for dissimilar drug candidates and did not meet the concentration test. Further, the Company considered that there were no output for Everest II since those drug candidates are still in the process of research and development before commercialization. In addition, Everest II had no employees or organised workforce and its development work was performed through contractual arrangements which could be replaced at no significant cost. Accordingly, the Company concluded that Everest II did not qualify as a business under IFRS 3, and the purpose of the acquisition of Everest II is for the Group to obtain the four licenses held by Everest II. Therefore, the acquisition of Everest II is considered an acquisition of assets in accordance with IFRS 3.

Details of the purchase consideration, the fair value of net identifiable assets acquired are as follows:

	25 November 2019
	RMB'000
Purchase consideration:	
—Fair value of Series B-3 Convertible Redeemable Preferred Share issued	900,723
—Convertible notes transferred to the Company	140,596
—Fair value of Ordinary Shares issued	303,794
	1,345,113

The assets and liabilities recognised as a result of the acquisition are as follows:

	25 November 2019
	RMB'000
Cash and cash equivalents	98,442
Amount due from a related party	101,026
Investment	35,149
Intangible assets	1,265,971
Financial instruments issued to investors	(140,596)
Amount due to related parties	(10,837)
Trade and other payables	(4,042)
Net identifiable assets acquired	1,345,113

The total consideration was allocated among acquired assets and liabilities based on their fair value at the acquisition date. An independent valuer was engaged to determine the fair value of the intangibles assets acquired. The multi-period excessive earning method was used with key assumptions of revenue growth rate of ranging from -5% to 334.8% and discount rate of 18%.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

The Company has engaged an independent valuer to determine the fair value of Ordinary Shares and Preferred Shares issued in connection with the acquisition of Everest II. The discounted cash flow method was used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the Ordinary Shares and Preferred Shares as of the dates of acquisition of Everest II. Key assumptions are as below:

	25 November 2019
Discount rate	17%
Discount of lack of marketability	15%~35%
Risk-free interest rate	1.6%
Expected volatility	74%

Below is the pre-acquisition information of Everest II for the period from 24 August 2018 (date of incorporation) to 31 December 2018 and the period from 1 January 2019 to 25 November 2019 (date of acquisition), respectively.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of acquisition)
		RMB'000	RMB'000
General and administrative expenses	(2)	(15,417)	(107,756)
Research and development expenses	(2)	(6,679)	(23,890)
Foreign exchange gain—net		—	514
Operating loss		(22,096)	(131,132)
Fair value change in financial instruments issued to investors	(8)	—	(170,190)
Loss before income tax		(22,096)	(301,322)
Income tax expense	(3)	—	—
Loss for the period		(22,096)	(301,322)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Change in foreign currency translation adjustments		167	(6,882)
Other comprehensive income/(loss)		167	(6,882)
Total comprehensive loss for the period		(21,929)	(308,204)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
		RMB'000	RMB'000
Assets			
Non-current assets			
Investment	(4)	34,316	35,149
Intangible assets	(5)	34,316	632,682
		68,632	667,831
Current assets			
Amounts due from a related party	(12)	—	101,026
Cash and cash equivalents	(7)	34,281	98,442
		34,281	199,468
Total assets		102,913	867,299
Liabilities			
Non-current liabilities			
Financial instruments issued to investors	(8)	—	897,846
		—	897,846
Current liabilities			
Financial instruments issued to investors	(8)	102,948	281,192
Trade and other payables	(9)	1,709	4,042
Amounts due to a related party	(12)	20,185	10,837
		124,842	296,071
Total liabilities		124,842	1,193,917
Equity			
Share capital	(10)	—	—
Reserves	(10)	—	3,515
Accumulated deficit		(22,096)	(323,418)
Accumulated other comprehensive income/(loss)		167	(6,715)
Total equity		(21,929)	(326,618)
Total equity and liabilities		102,913	867,299

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Exchange reserve	Accumulated deficit	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 24 August 2018 (date of incorporation)	—	—	—	—	—
Loss for the period	—	—	—	(22,096)	(22,096)
Foreign currency translation	—	—	167	—	167
At 31 December 2018	—	—	167	(22,096)	(21,929)
At 1 January 2019					
Issuance of ordinary shares	—	3,515	—	—	3,515
Loss for the period	—	—	—	(301,322)	(301,322)
Foreign currency translation	—	—	(6,882)	—	(6,882)
At 25 November 2019 (date of acquisition)	—	3,515	(6,715)	(323,418)	(326,618)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of acquisition)
		RMB'000	RMB'000
Cash flows from operating activities			
Loss before income tax		(22,096)	(301,322)
Adjustments for:			
Fair value changes of financial instruments	(8)	—	170,190
Changes in working capital:			
—Amounts due from a related party		—	(30,728)
—Trade and other payables		1,709	2,333
—Amount due to a related party		20,185	(9,348)
Net cash used in operating activities		(202)	(168,875)
Cash flows from investing activities			
Purchase of intangible assets		(34,578)	(585,200)
Investment in Venatorx	(4)	(34,578)	—
Loan provided to related party		—	(70,298)
Net cash used in investing activities		(69,156)	(655,498)
Cash flows from financing activities			
Proceeds from issuance of financial instruments issued to investors	(8)	103,734	881,242
Proceeds from issuance of ordinary shares	(10)	—	3,515
Net cash generated from financing activities		103,734	884,757
Effect of exchange rate changes on cash and cash equivalents		(95)	3,777
Net increase in cash and cash equivalents		34,281	64,161
Cash and cash equivalents at the beginning of the period		—	34,281
Cash and cash equivalents at the end of period	(7)	34,281	98,442

(1) FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

(a) Credit risk

Everest II has two types of financial assets that are subject to the expected credit loss model: amount due from related parties and cash and cash equivalents. The carrying amounts of amount due from related parties and cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

(b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the ability to apply for credit facilities if necessary. Everest II finances its working capital requirements through issue of Preferred shares and convertible notes.

Everest II monitors rolling forecasts of its liquidity reserve on the basis of expected cash flows.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(1) FINANCIAL RISK MANAGEMENT—continued

(i) Financial risk factors—continued

(b) Liquidity risk—continued

The table below analyzes Everest II's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Everest II recognizes the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturity dates.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 25 November 2019 (date of acquisition)					
Trade and other payables	4,042	—	—	—	4,042
Amounts due to a related party	10,837	—	—	—	10,837
	14,879	—	—	—	14,879
At 31 December 2018					
Trade and other payables	1,709	—	—	—	1,709
Amounts due to a related party	20,185	—	—	—	20,185
	21,894	—	—	—	21,894

(ii) Fair value estimation

The following table presents Everest II's assets and liabilities that were measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Investment in Venatorx	—	—	34,316	34,316

The following table presents Everest II's assets and liabilities that were measured at fair value at 25 November 2019:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Investment	—	—	35,149	35,149
Liabilities:				
Financial instruments issued to investors (Note 8)	—	—	897,846	897,846

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(2) EXPENSES BY NATURE

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Service charge	19,511	124,375
Professional expenses	2,585	7,271
Total general and administrative expenses and research and development expenses	22,096	131,646

(3) INCOME TAX EXPENSE

Everest II is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of Everest II are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, Everest II is not subject to tax on income or capital gains.

Hong Kong

Everest II's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Since these companies did not have assessable profits during the Track Record Period, no Hong Kong profits tax has been provided.

Everest II had no taxable income during the period.

A reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax is as follow:

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Loss before income tax	22,096	301,322
Tax calculated at the applicable tax rate of 0%	—	—
Income tax expense	—	—

(4) INVESTMENT

	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Investment in Venatorx - at FVTPL	34,316	35,149

In September 2018, Everest II entered into an agreement with Venatorx, pursuant to which Venatorx granted Everest II an exclusive license to exploit for all uses in humans Venatorx's proprietary BLI, VNRX-5133, in combination with a ß-lactam, initially cefepime, in China, Macau, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Vietnam and the Philippines.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(4) INVESTMENT—continued

Under the terms of this agreement, Everest II paid an upfront cash payment of USD 5.0 million (equivalent to RMB 34.6 million) and purchased USD 5.0 million (equivalent to RMB 34.6 million) of Series B preferred share in Venatorx. The Series B Preferred Stock is a liability instrument from issuer's perspective as Venatorx cannot prevent deemed liquidation event from happening. Thus, the investment in Venatorx is classified as fair value through profit or loss.

(5) INTANGIBLE ASSETS

	In-licenses RMB'000
At 24 August 2018 (date of incorporation)	
Cost	—
Accumulated amortisation	—
Net book amount	—
Period From 24 August 2018 (date of incorporation) to 31 December 2018	
Opening net book value	—
Additions	34,578
Amortisation charge	—
Foreign currency translation	(262)
Closing net book value	34,316
At 31 December 2018	
Cost	34,316
Accumulated amortisation and impairment	—
Net book value	34,316
Period From 1 January 2019 to 25 November 2019 (date of acquisition)	
Opening net book value	34,316
Additions	585,200
Amortisation charge	—
Foreign currency translation	13,166
Closing net book value	632,682
At 25 November 2019	
Cost	632,682
Accumulated amortisation and impairment	—
Net book value	632,682

Refer to Note 15 for details of intangible assets acquired by Everest II.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(6) FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets	
	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Assets as per statements of financial position		
Amortised cost:		
Amounts due from a related party	—	70,298
Cash and cash equivalents	34,281	98,442
Fair value through profit or loss:		
Investment in Venatorx	34,316	35,149
	68,597	203,889

	Financial liabilities	
	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Liabilities as per statements of financial position		
Amortised cost:		
Financial instruments issued to investors	102,948	281,192
Trade and other payables	1,709	4,042
Amounts due to related parties	20,185	10,837
Fair value through profit or loss:		
Financial instruments issued to investors	—	897,846
	124,842	1,193,917

(7) CASH AND CASH EQUIVALENTS

	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Cash at bank	34,281	98,442

As at 31 December 2018 and 25 November 2019, cash and cash equivalents of Everest II are mainly denominated in USD.

(8) FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Non-current		
Preferred Shares issued by Everest II (a)	—	897,846
Sub-total	—	897,846
Current		
Convertible notes (b)	102,948	281,192
Sub-total	102,948	281,192
Total	102,948	1,179,038

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(8) FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares issued by Everest II

Issuance of Preferred Shares

Serie A Convertible Preferred Shares

On 7 March 2019, pursuant to a share purchase agreement, Everest II issued 33,000,000 Series A Convertible Preferred Shares ("Preferred Shares") to C-Bridge IV Investment Two Limited ("C-Bridge IV"), at the purchase price of USD 1.00 per share for an aggregate purchase price of USD 33 million (equivalent to RMB 227.2 million). In connection with the issuance of Preferred Shares, Everest II issued Warrants Shares ("Series A Warrants") to C-Bridge IV which entitle C-Bridge IV, at its sole discretion, the right to purchase 70,000,000 Preferred Shares at the purchase price of USD 1.00 per share for an aggregate purchase price of USD 70 million. Series A-2 Warrants have a term of 5 years from the issuance date.

On 21 May 2019, 70,000,000 Series A Warrants were exercised by C-Bridge IV to purchase 70,000,000 Preferred Shares at an aggregate purchase price of USD 70 million (equivalent to RMB 481.9 million).

Significant terms of Preferred Shares

Dividends

The holders of Preferred Shares shall be entitled to receive non-cumulative dividends at the rate of 8% per annum when declared by Everest II's board of directors.

Liquidation preference

The holders of Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of Everest II to the holders of Ordinary Shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to (x) one hundred percent (100%) of the investment amount for the Preferred Shares, plus (y) any declared but unpaid dividends on its A Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), as the case may be, for each Preferred Share, plus all accrued or declared but unpaid dividends on the Preferred Shares (the "Share Preference Amount"). If upon the occurrence of a liquidation, dissolution or winding up of Everest II, the assets and funds thus distributed among the holders of Preferred Shares shall be insufficient to permit the payment to such holders of the full Share Preference Amount, then the entire assets and funds of Everest II legally available for distribution shall be distributed ratably among the holders of Preferred Shares in proportion to the Share Preference Amount each such holder is otherwise entitled to receive.

After setting aside or paying in full the Share Preference Amount, the remaining assets of Everest II available for distribution, if any, shall be distributed to the holders of Preferred Shares and Ordinary Shares on a pro rata basis, based on the number of Ordinary Shares then held by each such holder on an as-converted basis.

A Trade Sale Event, at the election of the holders of at least two-thirds (2/3) of the outstanding Preferred Shares (voting together as a single class and calculated on as-converted basis), shall be deemed to be a liquidation, dissolution or winding up.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(8) FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(a) Preferred Shares issued by Everest II—continued

Significant terms of Preferred Shares—continued

Liquidation preference—continued

Trade Sale Event means (i) a consolidation or merger of Everest II with or into any other business entity in which the shareholders of Everest II immediately after such merger or consolidation hold shares representing less than a Majority of the voting power of the outstanding share capital of the surviving business entity, (ii) an exclusive licensing of all or substantially all of the intellectual property rights of Everest II to any third party, (iii) a sale, lease, transfer or other disposition of all or substantially all of Everest II's assets, or (iv) a sale, transfer or other disposition of a Majority of the issued and outstanding share capital of Everest II or a Majority of the voting power of Everest II.

Voting rights

Each Preferred Share shall be entitled to the number of votes equal to the number of Ordinary Shares into which such Preferred Shares could be converted.

d. Conversion

The Preferred Shares are convertible, at the option of the holders, into Everest II's Ordinary Shares at an initial conversion ratio of 1:1 at any time after the original issuance date subject to adjustment for dilution, included but not limited to stock splits, stock dividends and recapitalization.

In addition, each Preferred Share shall automatically be converted into Ordinary Shares at the then respective effective conversion price upon the closing of a Qualified Public Offering or upon the written consent of holders of at least two-thirds (2/3) of the outstanding Preferred Shares.

Measurement and subsequent accounting for Preferred Shares

The aforementioned Preferred Shares are classified as liabilities as Everest II doesn't have the unconditional right to avoid delivery cash or another financial asset. In addition, the Preferred Shares are designated at fair value through profit or loss and initially recognised at fair value.

Everest II's Preferred Shares activities are summarized below:

	Preferred share
	RMB'000
Balance as of January 1, 2019	—
Issuance	709,124
Change in fair value	170,190
Currency translation differences	18,532
Balance as of November 25, 2019 (date of merger)	897,846

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(8) FINANCIAL INSTRUMENTS ISSUED TO INVESTORS—continued

(b) Convertible notes

On 17 July 2019, Everest II entered into an agreement with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD 20 million (equivalent to RMB 137.9 million). The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of this note and prior to the repayment in full, the holder of convertible notes is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Everest II at the conversion price mutually agreed.

In August 2019, Everest II entered into another agreement with C-Bridge IV Investment Nine Limited to issue convertible notes with the aggregate amount of USD 20 million (equivalent to RMB 137.9 million). The convertible notes have a repayment term of six months and an interest rate of 8% per annum. At any time after the date of issuance of this note and prior to the repayment in full, the Holder is entitled, but not obligated to convert the principal amount then outstanding into the preferred shares of the Everest II at the conversion price mutually agreed.

(9) TRADE AND OTHER PAYABLES

	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Payables for service providers	1,709	3,972
Others	—	70
	1,709	4,042

As at 31 December 2018 and 25 November 2019, the ageing analysis of trade payables and payables for service providers based on invoice date are as follows:

	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
—Within 1 year	1,709	4,042

(10) SHARE CAPITAL

On 13 May 2019 and 17 July 2019, a total of 54,231,250 Ordinary Shares were issued to Everest Management Holding., Ltd at par value.

On 24 July 2019, a total of 500,000 Ordinary Shares were issued to a shareholder at the consideration of USD 0.5 million (equivalent to RMB 3.5 million).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(11) NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Major non-cash transactions

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Fair value changes of financial instruments	—	170,190
Issuance of preferred shares	—	103,271
Conversion of convertible notes to preferred shares	—	(103,271)
	—	170,190

	Convertible notes	Issuance of preferred shares	Total
	RMB'000	RMB'000	RMB'000
24 August 2018 (date of incorporation)	—	—	—
Financing cash inflows	103,734	—	103,734
Foreign currency translation	(786)	—	(786)
At 31 December 2018	102,948	—	102,948
Financing cash inflows	275,389	605,853	881,242
Non-cash transactions	(103,271)	273,461	170,190
Foreign currency translation	6,126	18,532	24,658
At 25 November 2019 (date of acquisition)	281,192	897,846	1,179,038

(12) RELATED PARTY TRANSACTIONS

(i) Name and relationship with related parties are set out below:

Name of related party	Relationship
Everest Medicines Limited ("Everest I")	Controlled by CBC Group before the Company's acquisition of Everest II

(ii) Transactions

These transactions were conducted in the normal course of business at prices and terms mutually agreed among the parties.

(a) Service charged by related parties

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Everest Management Holding Co., Ltd.	—	23,351
Everest I	19,511	101,024
	19,511	124,375

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 ACQUISITION OF EVEREST II—continued

(12) RELATED PARTY TRANSACTIONS—continued

(ii) Transactions—continued

(b) Loan provided to a related party

	Period From 24 August 2018 (date of incorporation) to 31 December 2018	Period From 1 January 2019 to 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Everest I	—	70,298

Loan provided to Everest I is non-trade in nature, interest free, unsecured and repayable on demand.

(iii) Balances

(a) Amount due from a related party

	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Everest I	—	101,026

The above balance with a related party was mainly denominated in USD. Among it, the loan provided to Everest I was RMB 70,298 thousand, which was unsecured, non-trade in nature and non-interest bearing; the remaining balance of RMB 30,728 thousand was unsecured, trade in nature and non-interest bearing. The total balance was eliminated upon the Company's acquisition of Everest II.

(b) Amount due to related parties

	As at 31 December 2018	As at 25 November 2019 (date of acquisition)
	RMB'000	RMB'000
Everest Management Holding Co., Ltd.	—	10,837
Everest I	20,185	—
	20,185	10,837

The above balances with related parties were mainly denominated in USD. They were unsecured, trade in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

31 INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	297,673	1,832,135	1,897,074

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 INTERESTS IN SUBSIDIARIES—continued

(b) Amounts due from subsidiaries

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Prepayment of consulting fee	—	19,577	49,374

The above balances were mainly denominated in USD, unsecured, repayable on demand and non-interest bearing. Their fair values approximated their carrying amounts as at 31 December 2018, 2019 and 31 March 2020.

(c) Payables to subsidiaries

	As at 31 December		As at 31 March
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Loan from Everest II (i)	—	83,714	88,563
Consulting service fee payable to subsidiaries (ii)	8,546	37,874	14,616
	8,546	121,588	103,179

Notes:

(i) The balance was denominated in USD, non-trade in nature, interest free, unsecured and repayable on demand.

(ii) The balances were mainly denominated in USD, unsecured, trade in nature and non-interest bearing. These balances were due within 30 days. Their fair values approximated their carrying amounts due to their short maturities.

32 SUBSEQUENT EVENT

Financing from Jiashan Shanhe

On 17 March 2020, the Company entered into an investment agreement and a supplemental agreement with Jiashan Shanhe Equity Investment Company ("Jiashan Shanhe"), pursuant to which Jiashan Shanhe subscribed 37% of equity interest in Everest Medicines (China) Co., Ltd. ("Everest China"), a subsidiary established under the Company's wholly owned subsidiary Everest Medicines II (HK) Limited ("Everest II HK"), by making cash contribution in RMB equivalent to USD 50 million, which subsequently received by the Company in April 2020. According to the supplemental agreement, right starting in the fourth year of the date of the investment, Jiashan Shanhe has the right to require that the Company or Everest China to redeem all of its investment in Everest China with the redemption price of original investment amount plus a 8% simple rate of return per annum. At the same time, the Company also has a call option to repurchase Jiashan Shanhe's investment in Everest China at any time and from time to time on the third (3rd) anniversary of Jiashan Shanhe's investment in Everest China at the investment amount plus 8% simple interest rate per annum. Furthermore, Jiashan Shanhe was not entitled to the right to appoint board of directors, voting right in a shareholders' meeting and dividend right but only retained the information right and right to appoint an observer to attend board meetings at Everest China level. Therefore the Company classified the investment from Jiashan as borrowings in non-current liabilities, which are subsequently measured at amortised cost using the effective interest rate method.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 SUBSEQUENT EVENT—continued

Financing from Jiashan Shanhe—continued

In connection with the investment in Everest China, the Company issued a warrant to Jiashan Shanhe which entitles Jiashan Shanhe, at its sole discretion, the right to purchase 11,111,111 preferred shares issued by the Company at the purchase price of USD 4.5 per share for an aggregate purchase price of USD 50 million (further adjusted to USD 3.6 per share in accordance with down-round adjustment of conversion price of subsequent issued shares with the adjusted number of shares of 13,888,889). The warrant was exercised by Jiashan Shanhe in May 2020 and the Company issued Series C-1 Convertible Redeemable Preferred Shares to Jiashan Shanhe for USD 50 million (equivalent to RMB339.1 million) consideration.

Issuance of Preferred Shares

Further on 29 May 2020, pursuant to a share purchase agreement, the Company agreed to issue 72,222,223 Series C-2 Convertible Redeemable Preferred Shares to several investors at the purchase price of USD 3.6 per share for an aggregate purchase price of USD 260 million (equivalent to RMB 1,763.5 million). Among it, C-Bridge IV Investment Nine Limited subscribed 15,277,778 Series C-2 Convertible Redeemable Preferred Shares, which was converted from the outstanding convertible notes issued by the Company with the aggregate amount of USD 55 million (equivalent to RMB 392 million). Series C-2 Convertible Redeemable Preferred Shares were issued to these investors on 3 June 2020. Simultaneously, to facilitate the Company's financing, C-Bridge cancelled the remaining 13,333,333 Series A-2 Warrants which were previously issued by the Company in 2018.

Impact of COVID-19

Since early 2020, the epidemic of Coronavirus Disease 2019 ("the COVID-19 outbreak") has spread across many countries and territories and it has affected business and economic activities to some extent. As at the date on which this report was issued, the Company was not aware of any material adverse effects on the Group's consolidated financial statements as a result of the COVID-19 outbreak. However, given the epidemic is still evolving and dynamic, the extent of the business disruption, including the duration and the related financial impact on subsequent periods cannot be reasonably estimated at this time. The Company will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company.

Loan provided to a director

On 2 July 2020, the Company provided a loan to one executive director of the Company, at the total amount of USD 325 thousand. The loan has term of three years and a simple interest rate of 5.0% per annum. The principal and accrued interest will be paid in maturity date.

Grant of stock options and restricted share units

In July 2020, as approved by the Company's board of directors, a total of 6,358,190 stock options and 3,360,000 restricted share units were granted to certain employees of the Group whose shares/units will become vested upon satisfying service requirements, successful IPO or when stock price achieved certain level of market price after an IPO.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of 31 March 2020 as if the Global Offering had taken place on 31 March 2020.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2020 or at any future dates following the Global Offering.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 March 2020[1]	Estimated impact to the net tangible assets upon conversion of the Series A-1, Series A-2, Series B-1, Series B-2, and Series B-3[2]	Estimated net proceeds from the Global Offering[3]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2020	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB[4]	HK$[5]
Based on an Offer Price of HK$50 per Offer Share	(2,288,884)	2,080,145	2,608,540	2,399,801	12.16	13.89
Based on an Offer Price of HK$55 per Offer Share	(2,288,884)	2,080,145	2,874,076	2,665,337	13.51	15.44

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 March 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as at 31 March 2020 of RMB549,872,000 with adjustments for the intangible assets as at 31 March 2020 of RMB1,739,012,000.

(2) The Company's Series A-1 Convertible Redeemable Preferred Shares, Series A-2 Convertible Redeemable Preferred Shares, Series B-1 Convertible Redeemable Preferred Shares, Series B-2 Convertible Redeemable Preferred Shares, and Series B-3 Convertible Redeemable Preferred Shares are all required to be converted into ordinary shares upon the Listing. The adjustment represents the impact of the conversion of all these preferred shares into ordinary shares on the net tangible liabilities attributable to the equity holders. The estimated impact is RMB2,080,145,000, being the carrying amount of the Series A-1 Convertible Redeemable Preferred Shares, Series A-2 Convertible Redeemable Preferred Shares, Series B-1 Convertible Redeemable Preferred Shares, Series B-2 Convertible Redeemable Preferred Shares, and Series B-3 Convertible Redeemable Preferred Shares as at 31 March 2020.

(3) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$50 and HK$55 per Offer Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Share Schemes (including the 297,248 Shares have been issued upon the exercise of stock option by employees subsequent to 31 March 2020), or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Notes 2 and 3 above and on the basis that 197,282,029 Shares (including the completion of the conversion of the preferred shares into ordinary shares as mentioned in the Note 2 above to be effective upon Listing) were in issue assuming that Global Offering had been completed on 31 March 2020 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be issued

under the Share Schemes (including the 297,248 Shares have been issued upon the exercise of stock option by employees subsequent to 31 March 2020), or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as set out in the section headed "Share Capital" in this prospectus, and takes no account of any Shares which may be issued pursuant to the conversion of the convertible notes and the exercise of warrant liabilities as at 31 March 2020, or the 86,111,112 Shares of convertible redeemable preferred shares to be issued subsequent to 31 March 2020.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.87516 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Subsequent to 31 March 2020, the Company issued 83,333,334 Shares of convertible redeemable preferred shares with aggregate principal amount of approximately RMB2,102,575,000. Among it, approximately RMB373,038,000 of the convertible redeemable preferred shares was converted from all of the outstanding convertible notes as at 31 March 2020. Upon completion of the Listing, these convertible redeemable preferred shares will be converted to ordinary shares of the Company at the number of 86,111,112 after considering the down-round adjustment of conversion price. Also, all of the outstanding warrant liabilities as at 31 March 2020 were all cancelled.

Subsequent to 31 March 2020, the Company issued 297,248 Shares under the Share Schemes to the employees upon their exercise of stock options.

The pro forma net tangible asset per Share presented above has not taken into account the effect of the conversion of convertible redeemable preferred shares upon completion of the Listing, the conversion of the convertible notes, the cancellation of warrant liabilities and the issuance of Shares under the Share Schemes upon the exercise of stock options by employees as set out in the preceding paragraphs. If presented on that basis, the pro forma net tangible asset per Share would have been RMB15.88 (based on the Offer Price of HK$50 per Share) and RMB16.81 (based on the Offer Price of HK$55 per Share), respectively.

(7) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Everest Medicines Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Everest Medicines Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 25 September 2020, in connection with the proposed initial public offering of the shares of the Company, (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2020 as if the proposed initial public offering had taken place at 31 March 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 31 March 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars,* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures

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regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 September 2020

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Set out below is a summary of certain provisions of the Memorandum and Articles of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 July 2017 under the Cayman Companies Law. Our Company's constitutional documents consist of its Memorandum and Articles.

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 21 September 2020 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents delivered to the Registrar of Companies and available for inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 21 September 2020 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$50,000 divided into 500,000,000 shares of US$0.0001 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

  (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

  (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their

expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the

terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution—majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is

impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavor to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution

of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders

of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the

Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 July 2017 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company,

subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies

Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and

liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the

liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands on 14 July 2017 as an exempted limited liability company. Upon our incorporation, our authorized share capital was US$50,000 divided into 500,000,000 ordinary shares with a nominal value of US$0.0001 each. On 21 September 2020, our Company adopted the dual foreign name of "云顶新耀有限公司".

Our registered office address is at 4th Floor, Harbour Place, 103 South Church Street P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on 6 August 2020 with the Registrar of Companies in Hong Kong. Ms. Yee Wa Lau has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. Changes in share capital of our Company

The following sets out the changes in our Company's issued share capital within the two years immediately preceding the date of this document:

(a) On 31 December 2018, our Company issued 3,333,333 fully paid up series A-2 Preferred Shares with a par value of US$0.0001 each to Tetrad Ventures Pte Ltd.

(b) On 25 March 2019, our Company issued 500,000 fully paid up ordinary shares with a par value of US$0.0001 each to Biotec Investments Limited.

(c) On 25 November 2019, our Company issued 20,639,537 fully paid up ordinary shares with a par value of US$0.0001 each to Everest Management Holding Co., Ltd. and 186,224 fully paid up ordinary shares with a par value of US$0.0001 each to Biotec Investments Limited.

(d) Also on 25 November 2019, our Company issued 38,362,045 fully paid-up series B-3 Preferred Shares to C-Bridge IV Investment Two Limited.

(e) On 8 May 2020, our Company issued 11,111,111 fully paid-up series C-1 Preferred Shares to Shanhe Holding Co., Limited.

(f) On 3 June 2020, our Company issued the following fully paid-up series C-2 Preferred Shares to the following shareholders:

Shareholder	Series C-2 Preferred Shares
C-Bridge IV Investment Nine Limited	15,277,778
Janchor Partners Pan-Asian Master Fund	9,774,342
Janchor Partners Opportunities Master Fund II	3,420,102
RA Capital Healthcare Fund, L.P.	7,430,461
Blackwell Partners LLC—Series A	902,872
RA Capital Nexus Fund, L.P.	2,777,778
SPR – III Holdings Limited	6,944,444
Decheng Capital China Life Sciences USD Fund III, L.P.	4,166,667
Beverly Sunshine Holdings Corporation Limited	4,166,667
BlackRock Health Sciences Master Unit Trust	53,000
BlackRock Health Sciences Trust II	3,113,667
BlackRock Global Funds—World Healthscience Fund	1,000,000
Janus Henderson Global Life Sciences Fund	1,779,419
Janus Henderson Capital Funds plc—Janus Henderson Global Life Sciences Fund	1,193,147
Janus Henderson Biotech Innovation Master Fund Limited	499,656
Cormorant Private Healthcare Fund II, LP	2,244,167
Cormorant Global Healthcare Master Fund, LP	533,611
Rock Springs Capital Master Fund LP	2,083,333
Four Pines Master Fund LP	416,667
Octagon Investments Master Fund LP	1,388,889
Palace Investments Pte. Ltd.	1,388,889
Bridge Investment Project E Limited	1,388,889
HBM Healthcare Investments (Cayman) Ltd.	277,778

Save as disclosed above and in the section headed "—Resolutions of our Shareholders dated 21 September 2020" below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the share capital of members of our Group

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountant's Report as set out in Appendix I.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document:

- On 24 August 2018, Everest Medicines II Limited issued 1 fully paid-up ordinary share with a par value of US$0.001 to C-Bridge IV Investment Two Limited for US$0.001
- On 3 December 2018, Everest Medicines II (BVI) Limited issued 1 fully paid-up ordinary share with a par value of US$1.00 to Everest Medicines II Limited for a consideration of US$1.00
- On 13 December 2018, EverNov Medicines (HK) Limited issued 1 fully paid-up ordinary share with a par value of HK$1.00 to EverNov Medicines Limited for HK$1.00
- On 24 December 2018, Everest Medicines II (HK) Limited issued 1 fully paid-up ordinary share with a par value of HK$1.00 to Everest Medicines II (BVI) Limited for HK$1.00
- On 13 February 2019, EverNov Medicines (Zhuhai Hengqin) Co., Ltd. was incorporated with a registered capital of US$5,000,000.

- On 13 March 2019, Everest Medicines II Limited issued 33,000,000 fully paid-up series A preferred shares with a par value of US$0.0001 to C-Bridge IV Investment Two Limited for US$33,000,000 and 4,537,500 fully paid-up ordinary shares with a par value of US$0.0001 to Everest Management Holding Co., Ltd. (formerly known as Everest II BD Holding Co., Ltd.).
- On 21 May 2019, Everest Medicines II Limited issued 70,000,000 fully paid-up series A preferred shares with a par value of US$0.0001 to C-Bridge IV Investment Two Limited for US$70,000,000.
- On 17 July 2019, Everest Medicines II Limited issue 49,693,750 fully paid-up ordinary shares with a par value of US$0.0001 to Everest Management Holding Co., Ltd. (formerly known as Everest II BD Holding Co., Ltd.).
- On 24 July 2019, Everest Medicines II Limited issued 500,000 fully paid-up ordinary shares with a par value of US$0.0001 to Biotec Investments Limited.
- On 25 November 2019, Everest Medicines II Limited issued 1 fully paid-up ordinary share with a par value of US$0.0001 to our Company.
- On 3 April 2020, Everest China was incorporated with a registered capital of US$135,000,000.
- On 8 June 2020, the registered capital of EverID Medicines (Beijing) Limited was converted from US$5,000,000 into RMB33,498,463.4.
- On 15 June 2020, the registered capital of Everest Medicines (Suzhou) Inc. was converted from US$5,000,000 into RMB33,208,436.03.
- On 18 June 2020, the registered capital of Everstar Medicines (Shanghai) Limited was converted from US$5,000,000 into RMB35,679,500.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders dated 21 September 2020

Resolutions of our Shareholders were passed on 21 September 2020, pursuant to which, among others, conditional upon the conditions of the Global Offering (as set out in this document) being fulfilled:

(a) the Memorandum and the Articles were approved and adopted effective conditional on and immediately prior to the Listing on the Listing Date;

(b) the Global Offering, Listing and Over-allotment Option were approved, and our Directors were authorized to negotiate and agree the Offer Price and to allot and issue the Offer Shares (including pursuant to the Over-allotment Option);

(c) a general mandate (the "**Sale Mandate**") was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of Global Offering;

(d) a general mandate (the "**Repurchase Mandate**") was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering;

(e) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Global Offering; and

(f) the terms of the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme were approved and adopted with effect from Listing.

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory statement on repurchase of our own securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of 283,690,389 Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), could accordingly result in up to approximately 28,369,038 Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased Shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically canceled and the relevant documents of title must be canceled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Shares in the previous six months.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, RA Capital Healthcare Fund, L.P., RA Capital Nexus Fund, L.P., Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which RA Capital Healthcare Fund, L.P. and RA Capital Nexus Fund, L.P. agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$45,000,000;

(b) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, C-Bridge IV Investment Sixteen Limited (as the investor), Nova Aqua Limited (as the guarantor), Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which C-Bridge IV Investment Sixteen Limited agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$30,000,000;

(c) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Janchor Partners Pan-Asian Master Fund, Janchor Partners Opportunities Master Fund II, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Janchor Partners Pan-Asian Master Fund and Janchor Partners Opportunities Master Fund II agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$30,000,000;

(d) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, GIC Private Limited, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which GIC Private Limited agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$20,000,000;

(e) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, BlackRock Health Sciences Trust II, BlackRock Health Sciences Trust, BlackRock Global Funds—World Healthscience Fund, BlackRock Health Sciences Master Unit Trust, BlackRock Health Sciences Opportunities Portfolio, a Series of BlackRock Funds, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which BlackRock Health Sciences Trust II, BlackRock Health Sciences Trust, BlackRock Global Funds - World Healthscience Fund, BlackRock Health Sciences Master Unit Trust, and BlackRock Health Sciences Opportunities Portfolio, a Series of BlackRock Funds agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$15,000,000;

(f) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Cormorant Asset Management, LP, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Cormorant Asset Management, LP agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$10,000,000;

(g) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Gaoling Fund, L.P., YHG Investment, L.P., Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Gaoling Fund, L.P. and YHG Investment, L.P. agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$10,000,000;

(h) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Invus Public Equities, L.P., Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Invus Public Equities, L.P. agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$10,000,000;

(i) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Lake Bleu Prime Healthcare Master Fund Limited, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Lake Bleu Prime Healthcare Master Fund Limited agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$10,000,000;

(j) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, OrbiMed Partners Master Fund Limited, The Biotech Growth Trust PLC, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P., Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which OrbiMed Partners Master Fund Limited, The Biotech Growth Trust PLC, OrbiMed Genesis Master Fund, L.P., and OrbiMed New Horizons Master Fund, L.P. agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$10,000,000;

(k) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Rock Springs Capital Master Fund LP, Four Pines Master Fund LP, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Rock Springs Capital Master Fund LP and Four Pines Master Fund LP agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$10,000,000;

(l) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Indus Pacific Opportunities Master Fund, Ltd., Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Indus Pacific Opportunities Master Fund, Ltd. agreed to

subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$5,000,000;

(m) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Octagon Investments Master Fund LP, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Octagon Investments Master Fund LP agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$5,000,000;

(n) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Citadel Multi-Strategy Equities Master Fund Ltd., Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Citadel Multi-Strategy Equities Master Fund Ltd. agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$5,000,000;

(o) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Tybourne Equity Master Fund, Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited pursuant to which Tybourne Equity Master Fund agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$5,000,000;

(p) a cornerstone investment agreement dated 18 September 2020 entered into between the Company, Woodline Master Fund LP, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and Citigroup Global Markets Asia Limited pursuant to which Woodline Master Fund LP agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$5,000,000; and

(q) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Place of registration
1.	EVEREST MEDICINES	Our Company	1, 37	PRC
2.		Our Company	10, 37	PRC

Trademark applications

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Place of registration
1.	EVEREST MEDICINES	Our Company	5, 10, 16, 35, 42, 44	PRC
2.		Our Company	5, 16, 35, 42, 44	PRC
3.	云顶新耀	Our Company	1, 5, 10, 16, 35, 37, 38, 41, 42, 44	PRC
4.	EVEREST MEDICINES	Our Company	1, 5, 42	Hong Kong
5.		Our Company	1, 5, 42	Hong Kong
6.	雲頂新耀 云顶新耀	Our Company	1, 5, 42	Hong Kong
7.	EVEREST MEDICINES	EverNov Medicines Limited	1, 5	U.S.
8.		EverNov Medicines Limited	1, 5	U.S.

Copyrights

As at the Latest Practicable Date, we had no copyrights which we consider to be or may be material to our business.

Patents

For details of the granted patents or patent applications by us or our strategic partners that we consider to be or may be material to our business, see "Business—Intellectual property".

Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner
1.	everestmedicines.com	Everest Medicines (Suzhou) Inc.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Executive Directors

Each of our executive Directors entered into a service contract with our Company on 22 September 2020. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Directors are not entitled to receive any remuneration in their capacities as executive Directors under their respective service contracts.

Non-executive Director

Our non-executive Director entered into an appointment letter with our Company on 22 September 2020. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The non-executive Director is not entitled to receive any remuneration and benefits in their capacities as non-executive Director under their appointment letters.

Independent non-executive Directors

Each of our independent non-executive Directors entered into an appointment letter with our Company on 26 August 2020. The term of appointment shall be for an initial term of three years from the date of this document or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees of our independent non-executive Directors payable by us under their respective appointment letters is US$50,000.

2. Remuneration of Directors

(a) Save as disclosed in this document, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group in respect of the year ended 31 December 2019 was approximately RMB15.50 million.

(c) Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the years ended 31 December 2020 is approximately RMB57.4 million.

3. Disclosure of interests

Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions

by Directors of Listed Issuers' contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Name of director	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Global Offering
Mr. Wei Fu	Interest in a controlled corporation	127,645,215(1)	44.99%
Kerry Levan Blanchard	Beneficial interest	3,250,000	1.15%
Ian Ying Woo	Beneficial interest	110,000	0.04%
Xiaofan Zhang	Beneficial interest	2,353,902	0.83%

Note:

(1) This includes 24,005,392 Shares held by Everest Management Holding Co., Ltd., 50,000,000 Shares held by C-Bridge Investment Everest Limited, 38,362,045 Shares held by C-Bridge IV Investment Two Limited and 15,277,778 Shares held by C-Bridge IV Investment Nine Limited and excludes CBC Group's subscription for the Offer Shares as a cornerstone investor in the Global Offering.

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see "Substantial shareholders".

D. SHARE SCHEMES

1. Pre-IPO Management Share Option Plan

The following is a summary of the principal terms of the Pre-IPO MSOP as first approved and adopted on 23 November 2017 and as amended from time to time. The terms of the Pre-IPO MSOP are not subject to the provisions of Chapter 17 of the Listing Rules. The Pre-IPO MSOP is intended to grant options to, and to incentivise, members of the management of the Company.

Eligibility

Those eligible to participate in the Pre-IPO MSOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "**Committee**"). The Board or the Committee may, from time to time select from among all eligible individuals ("**Participants**") to whom awards in the form of options ("**Options**") will be granted ("**Grantees**") and will determine the nature and amount of each grant.

Offer of Options

The Board shall be entitled to make an offer to any Participant as the Board may in its absolute discretion select to take up Options in respect of such number of Shares and at any price per Share ("**Strike Price**") as the Board may determine. The details of the offer shall be set out in a letter, the form of which shall be approved by the Board and entered into by and among the Company and a Grantee regarding the offer of an Option ("**Offer Letter**").

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO MSOP.

A Grantee is not required to pay for the grant of any Option.

Administration

The Pre-IPO MSOP is administered by the Board or the Committee and the decision of the Board shall be final and binding on all parties. The Board or the Committee shall have the right to:

(i) interpret and construe the provisions of the Pre-IPO MSOP

(ii) determine the persons who will be awarded under the Pre-IPO MSOP, the number and Strike Price and other terms (e.g., any performance conditions to which the exercise of an Option is subject) of Options awarded thereto

(iii) make such appropriate and equitable adjustments to the terms of Options granted under the Pre-IPO MSOP as it deems necessary

(iv) amend, add to and/or delete any of the provisions of this Pre-IPO MSOP, provided that no such amendment, addition or deletion shall adversely affect the rights of any Grantee in respect of any Options granted to such Grantee

(v) adopt such procedures and rules as are necessary or appropriate to permit participation in the Pre-IPO MSOP by eligible employees who are foreign nationals or employed outside the PRC (provided that Board approval will not be necessary for immaterial modifications to the Pre-IPO MSOP or any Offer Letter that are required for compliance with the laws of the relevant foreign jurisdiction); and

(vi) make such other decisions or determinations as it shall deem appropriate in the administration of the Pre-IPO MSOP.

Share Limit

The maximum number of Shares in respect of which Options may be granted under this Pre-IPO MSOP shall not exceed 5,048,779 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

No Employee shall be granted an Option which, if exercised in full, would result in such Employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Options) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO MSOP.

The Pre-IPO MSOP may be altered in any respect by the prior approval of the Board provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

Price

The Strike Price of Options shall be US$0.18.

Vesting

Unless otherwise approved by the Board and set forth in an Offer Letter, the Vesting Schedule for Options shall be a 36-month vesting schedule consisting of a cliff vesting of one-third (1/3) after twelve (12) months from the Commencement Date and thereafter, monthly vesting of equal installments over the remaining twenty-four (24) months.

Exercise of Options

Unless otherwise specified in the Offer Letter, any Option shall become exercisable upon vesting. The exercise shall be conditioned upon full compliance with all applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the Option.

An Option may be exercised in whole or in part by the Grantee (or his or her personal representatives) giving written notice to the Company, stating that the Option if thereby exercised and the number of Shares in respect of which it is exercised. A Grantee may be required to enter into a voting trust agreement, power of attorney or shareholders' agreement as a condition of exercise of the Option.

Each notice of exercise of an Option must be accompanied by a remittance for the aggregate amount of the Strike Price multiplied by the number of Shares in respect of which notice is given. Within 30 days after receipt of notice and remittance, the Company shall allot and issue or procure the allotment, issue or transfer of the relevant Option Shares to the Grantee (or his or her personal representative) credited as fully paid and issue to the Grantee the relevant share certificate in respect of the Option Shares so allotted.

Option Shares will be subject to the provisions of the Company's Memorandum and Articles for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of exercise of the Option. The holders will be entitled to participate in all dividends or other distributions paid or made on or after the date of exercise of the Option. When the date of exercise of the Option falls on a date which the register of members is closed then the exercise of the Option shall become effective on the first business day on which the register of members is re-opened.

Prior to the expiry of the Option Period, any cancelation of Options granted but not exercised shall require the approval of the Board and the Grantee in question. Canceled Options may be re-issued after such cancelation has been approved as long as it is granted in compliance with the pre-IPO MSOP terms and applicable law.

Restrictions on transfer

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so unless otherwise approved by the Board.

Term of the Pre-IPO MSOP

The term of the Pre-IPO MSOP commenced on 23 November 2017 (the "**Adoption Date**") and will expire on the tenth anniversary of the Adoption Date. Upon expiry of the Pre-IPO MSOP, no further Options will be granted but any Option that is outstanding shall remain in force according to the terms of the Pre-IPO MSOP and the Options shall be exercised in accordance with the terms upon which the Options are granted.

Lapse of Option

An Option shall lapse automatically (to the extent not already exercised) upon the earliest of:

(i) the expiry of the Option Period;

(ii) the date on which the Grantee commits a breach of the rules detailed under the heading "Restrictions on transfer" above;

(iii) subject to the paragraphs headed "Lapse on termination for cause", "Lapse for death or illness", "Lapse on cessation for other reason", and "Lapse on a general offer or corporate transaction" below, on a Grantee's ceasing to be an eligible employee.

Lapse on termination for cause

If the Board determines that if any Grantee ceases to be an Employee due to termination for cause, then any Option (whether vested or unvested) held by the Grantee shall immediately lapse or be canceled except as otherwise resolved by the Board in its sole discretion.

Lapse for death or illness

In the event of the Grantee ceasing to be an employee by reason of his or her death, disability or for any other reason that the Board considers valid, any unvested Option will immediately lapse or be canceled. The Grantee's vested Option may be assigned to his or her representative (to the extent not already exercised), who may exercise all of the deceased or incompetent Grantee's vested Options until the later of: (i) 90 days after the date when the Options become exercisable, or (ii) 6 months after the date of cessation of employment or directorship, or such longer period as the Board may determine. Any vested Option not exercised prior to the expiry of the above-mentioned period shall lapse.

Lapse on cessation for other reason

If a Grantee ceases to be an eligible employee for any reason other than due to termination for cause or termination for death or illness, then any unvested Option will immediately lapse or be canceled (as applicable) and the Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested Options until later of: (i) 90 days after the date when the Options become exercisable, or (ii) 30 days after the date of cessation of Employment or directorship, or such longer period as the Board may otherwise determine. Any vested Option not exercised prior to the expiry of the above-mentioned period shall immediately lapse or be canceled (as applicable).

Lapse on a General Offer or a Corporate Transaction

If a general or partial offer is made to all shareholders of the Company (a "**General Offer**"), the Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees on the same terms. If such offer becomes or is declared unconditional or such scheme or arrangements is formally proposed to shareholders of the Company, the Grantee shall, notwithstanding any other terms on which his or her Options were granted (provided that any performance condition must first be satisfied), be entitled to exercise his or her vested Options at any time up until (i) the close of such offer (or any revised offer); or (ii) the record date for entitlements under a scheme of arrangement, as applicable, and any unexercised Options will immediately lapse on the close of business on such date.

In the event of (i) a significant sale or other disposition of the assets or the securities of the Group, (ii) certain forms of merger, consolidation or similar transaction (a "**Corporate Transaction**"), then,

notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Options, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving entity or acquiring company (or the surviving or acquiring company's parent company) to assume or continue the Option or to substitute a similar award for the Option (including, but not limited to, an option to acquire the same consideration paid to the shareholders of the Company pursuant to the Corporate Transaction);

(ii) accelerate the vesting, in whole or in part, of the Option (and, if applicable, the time at which the Option may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Corporate Transaction), with such Option terminating if not exercised at or prior to the effective time of the Corporate Transaction;

(iii) cancel or arrange for the cancelation of the Option, to the extent not vested prior to the effective time of the Corporate Transaction, and pay such cash consideration (or no consideration) as the Board, in its sole discretion, may consider appropriate; and

(iv) make a payment for each vested Option, in such form as may be determined by the Board equal to the excess, if any, of the per share amount payable to holders of Shares in connection with the Corporate Transaction, over any exercise price payable by such holder in connection with such exercise, multiplied by the number of vested Shares under the Option.

Consequences of a Reorganization of Capital Structure and other Corporate Events

In the event of any alteration in the capital structure of the Company whilst any Option remains outstanding, whether by way of capitalization of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company in accordance with legal requirements (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party or an issue of shares pursuant to, or in connection with, any share option plan, share appreciation rights plan or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any Subsidiary or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends), such corresponding alterations (if any) shall be made to:

(i) the number of nominal amount of Shares subject to the Options so far as unexercised;

(ii) the Strike Price of any Option;

(iii) the consideration payable by the Grantees (where applicable);

or any combination thereof, as an independent financial adviser or the Auditors shall confirm to the Board in writing, either generally or as regard any particular Grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value.

Term of the MSOP

Unless terminated or extended by the Board, this MSOP will terminate at the close of business on 23 November 2027. Any options that are still outstanding shall remain outstanding in accordance with the applicable terms and conditions and the terms and conditions of the MSOP.

Termination

The Board may at any time terminate the operation of the Pre-IPO MSOP and in such event no further Options will be granted. In both events of termination, the provisions of the Pre-IPO MSOP will remain in full force and effect in all other respects.

2. Pre-IPO Employee Share Option Plan

The following is a summary of the principal terms of the Pre-IPO ESOP of the Company as approved and adopted on 25 December 2018, amended and restated on 17 February 2020 and as amended from time to time. The terms of the Pre-IPO ESOP are not subject to the provisions of Chapter 17 of the Listing Rules. The Pre-IPO ESOP is intended to grant options to, and to incentivise, employees of the Company other than the management.

Eligibility

Those eligible to participate in the Pre-IPO ESOP include employees, officers, directors, contractors, advisors or consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "**Committee**"). The Board or the Committee may, from time to time select from among all eligible individuals ("**Participants**") to whom awards ("**Awards**") in the form of options ("**Options**") and restricted stock units ("**RSU**"), will be granted ("**Grantees**") and will determine the nature and amount of each grant.

Offer and Grant of Awards

The Board shall be entitled to make an offer to any Participant as the Board may in its absolute discretion select to take up Options in respect of such number of Shares and at any price per Share ("**Strike Price**") as the Board may determine. The details of the offer shall be set out in a letter, the form of which shall be approved by the Board and entered into by and among the Company and a Grantee regarding the offer of an Award ("**Offer Letter**").

Awards may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO ESOP.

A Grantee is not required to pay for the grant of any Option. The consideration to be paid (if any) for each Share subject to an RSU is determined by the Board and shall be set forth in the Offer Letter for such RSUs and may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion and permissible under applicable law. RSUs may be awarded for zero consideration if permitted under applicable law.

Administration

The Pre-IPO ESOP is administered by the Board or the Committee and the decision of the Board shall be final and binding on all parties. The Board or the Committee shall have the right to:

(i) interpret and construe the provisions of the Pre-IPO ESOP

(ii) determine the persons who will be awarded under the Pre-IPO ESOP, the number and Strike Price and other terms (e.g., any performance conditions to which the exercise or settlement of an Award is subject) of Awards awarded thereto

(iii) make such appropriate and equitable adjustments to the terms of Awards granted under the Pre-IPO ESOP as it deems necessary

(iv) amend, add to and/or delete any of the provisions of this Pre-IPO ESOP, provided that no such amendment, addition or deletion shall adversely affect the rights of any Grantee in respect of any Awards granted to such Grantee

(v) adopt such procedures and rules as are necessary or appropriate to permit participation in the Pre-IPO ESOP by eligible employees who are foreign nationals or employed outside the PRC (provided that Board approval will not be necessary for immaterial modifications to the Pre-IPO ESOP or any Offer Letter that are required for compliance with the laws of the relevant foreign jurisdiction); and

(vi) make such other decisions or determinations as it shall deem appropriate in the administration of the Pre-IPO ESOP.

Share Limit

The maximum number of Shares in respect of which Awards may be granted under this Pre-IPO ESOP shall not exceed 22,932,908 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

No employee shall be granted an Award which, if exercised in full, would result in such employee becoming entitled to subscribe for an aggregate number of Shares (including all previous Awards) exceeding 10% of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO ESOP.

The Pre-IPO ESOP may be altered in any respect by the prior approval of the Board provided that no such alteration shall operate to affect adversely the terms of issue of any Award granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

Price

The Strike Price of Options and RSUs shall be approved by the Board and shall be set out in the Offer Letter.

Vesting

Unless otherwise approved by the Board and set forth in an Offer Letter, the Vesting Schedule for Options and RSUs shall be a 48-month vesting schedule consisting of a cliff vesting of twenty five percent (25%) after twelve (12) months from the Commencement Date and thereafter, quarterly vesting of equal installments over the remaining thirty-six (36) months.

Exercise and Settlement of Awards

Unless otherwise specified in the Offer Letter, any Award shall become exercisable or settleable upon vesting. The exercise or settlement shall be conditioned upon full compliance with all applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise or settlement of the Award.

An Award may be exercised in whole or in part by the Grantee (or his or her personal representatives) giving written notice to the Company, stating that the Award if thereby exercised or settled and the number of Shares in respect of which it is exercised or settled. A Grantee may be required to enter into a voting trust agreement, power of attorney or shareholders' agreement as a condition of exercise of the Award.

Each notice of exercise of an Option must be accompanied by a remittance for the aggregate amount of the Strike Price multiplied by the number of Shares in respect of which notice is given. Within 30 days after receipt of notice and remittance, the Company shall allot and issue or procure the allotment, issue or transfer of the relevant Option Shares to the Grantee (or his or her personal representative) credited as fully paid and issue to the Grantee the relevant share certificate in respect of the Option Shares so allotted.

Option Shares and RSU Shares will be subject to the provisions of the Company's Memorandum and Articles for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of exercise or settlement of the Award. The holders will be entitled to participate in all dividends or other distributions paid or made on or after the date of exercise or settlement of the Award. When the date of settlement of the Award falls on a date which the register of members is closed then the settlement of the Award shall become effective on the first business day on which the register of members is re-opened.

Prior to the expiry of the Option Period, any cancelation of Options granted but not exercised shall require the approval of the Board and the Grantee in question. Canceled Options may be re-issued after such cancelation has been approved as long as it is granted in compliance with the pre-IPO ESOP terms and applicable law.

Restrictions on transfer

An Award shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Award or attempt to do so unless otherwise approved by the Board.

Term of the Pre-IPO ESOP

The term of the Pre-IPO ESOP commenced on 25 December 2018 and will expire on the tenth anniversary of 25 December 2018. Upon expiry of the Pre-IPO ESOP, no further Awards will be granted but any Award that is outstanding shall remain in force according to the terms of the Pre-IPO ESOP and the Awards shall be exercised or settled in accordance with the terms upon which the Awards are granted.

Lapse of Option or Forfeiture of RSU

An Option shall lapse automatically (to the extent not already exercised) and a RSU shall be canceled automatically (to the extent not already vested) and any rights to such unvested RSU shall immediately be forfeited, upon the earliest of:

(i) the expiry of the Option Period (only applicable to Options);

(ii) the date on which the Grantee commits a breach of the rules detailed under the heading "Restrictions on transfer" above;

(iii) subject to the paragraphs headed "Lapse on termination for cause", "Lapse for death or illness", "Lapse on cessation for other reason", and "Lapse on a general offer or corporate transaction" below, on a Grantee's ceasing to be an eligible employee.

Lapse on termination for cause

If the Board determines that if any Grantee ceases to be an employee due to termination for cause, then any Award (whether vested or unvested) held by the Grantee shall immediately lapse or be canceled except as otherwise resolved by the Board in its sole discretion.

Lapse for death or illness

In the event of the Grantee ceasing to be an employee by reason of his or her death, disability or for any other reason that the Board considers valid, any unvested Award will immediately lapse or be canceled. The Grantee's vested Award may be assigned to his or her representative (to the extent not already exercised) who may exercise all of the deceased or incompetent Grantee's vested Options until the later of: (i) 90 days after the date when the Options become exercisable, or (ii) 6 months after the date of cessation of employment or directorship, or such longer period as the Board may determine. Any vested Option not exercised prior to the expiry of the above-mentioned period shall lapse.

Lapse on cessation for other reason

If a Grantee ceases to be an eligible employee for any reason other than due to termination for cause or termination for death or illness, then any unvested Award will immediately lapse or be canceled (as applicable) and the Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested Awards until later of: (i) 90 days after the date when the Awards become exercisable or settleable, or (ii) 30 days after the date of cessation of employment or directorship, or such longer period as the Board may otherwise determine. Any vested Award not exercised prior to the expiry of the above-mentioned period shall immediately lapse or be canceled (as applicable).

Lapse on a General Offer or a Corporate Transaction

If a general or partial offer is made to all shareholders of the Company, the Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees on the same terms. If such offer becomes or is declared unconditional or such scheme or arrangements is formally proposed to shareholders of the Company, the Grantee shall, notwithstanding any other terms on which his or her Awards were granted (provided that any performance condition must first be satisfied), be entitled to exercise or settle his or her vested Awards at any time up until (i) the close of such offer (or any revised offer); or (ii) the record date for entitlements under a scheme of arrangement, as applicable, and any unexercised Awards will immediately lapse on the close of business on such date.

In the event of (i) a significant sale or other disposition of the assets or the securities of the Group, or (ii) certain forms of merger, consolidation or similar transaction (a "**Corporate Transaction**"), then, notwithstanding any other provision of the Pre-IPO ESOP, the Board may take one or more of the following actions with respect to Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving entity or acquiring company (or the surviving or acquiring company's parent company) to assume or continue the Award or to substitute a similar award for the Award (including, but not limited to, an option to acquire the same consideration paid to the shareholders of the Company pursuant to the Corporate Transaction);

(ii) accelerate the vesting, in whole or in part, of the Award (and, if applicable, the time at which the Option may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Corporate Transaction), with such Award terminating if not exercised or settled (if applicable) at or prior to the effective time of the Corporate Transaction;

(iii) cancel or arrange for the cancelation of the Award, to the extent not vested prior to the effective time of the Corporate Transaction, and pay such cash consideration (or no consideration) as the Board, in its sole discretion, may consider appropriate; and

(iv) make a payment for each vested Award, in such form as may be determined by the Board equal to the excess, if any, of the per share amount payable to holders of Shares in connection with the Corporate Transaction, over any exercise price payable by such holder in connection with such exercise, multiplied by the number of vested Shares under the Award.

Consequences of a Reorganization of Capital Structure and other Corporate Events

In the event of any alteration in the capital structure of the Company whilst any Award remains outstanding, whether by way of capitalization of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company in accordance with legal requirements (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party or an issue of shares pursuant to, or in connection with, any share option plan, share appreciation rights plan or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any Subsidiary or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends), such corresponding alterations (if any) shall be made to:

(i) the number of nominal amount of Shares subject to the Awards so far as unexercised or unsettled;

(ii) the Strike Price of any Option;

(iii) the consideration payable by the Grantees (where applicable);

or any combination thereof, as an independent financial adviser or the Auditors shall confirm to the Board in writing, either generally or as regard any particular Grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value.

Term of the Pre-IPO ESOP

Unless terminated or extended by the Board, this ESOP will terminate at the close of business on 25 December 2028. Any options that are still outstanding shall remain outstanding in accordance with the applicable terms and conditions and the terms and conditions of the ESOP.

Termination

The Board may at any time terminate the operation of the Pre-IPO ESOP and in such event no further Options or RSUs will be granted. The Pre-IPO ESOP will automatically terminate in relation to Options (but not RSUs) upon Listing. In both events of termination, the provisions of the Pre-IPO ESOP will remain in full force and effect in all other respects.

3. Outstanding options granted under the Pre-IPO Share Schemes

Outstanding options granted

The proposal to grant the options under the Pre-IPO Share Schemes as set out below has been approved by the Board. The overall limit on the number of underlying Shares pursuant to the Pre-IPO Share Schemes is 27,981,687 Shares, representing approximately 9.86% of the issued Shares immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes). As of the date of this document, the total number of underlying Shares of options that have been granted (which have not been forfeited or cancelled) is 22,094,406 at nil consideration, among which 21,797,158 options remain outstanding. The Shares underlying outstanding options represent 7.68% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes). All the options under the Pre-IPO Share Schemes were granted between 23 November 2017 and 31 July 2020 (both days inclusive) and our Company will not grant further options under the Pre-IPO Share Schemes upon Listing. The exercise price of all the options granted under the Pre-IPO Share Schemes is between US$0.18 and US$3.24.

Assuming full vesting and exercise of all options granted under the Pre-IPO Share Schemes, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) will be diluted by approximately 7.1%. The dilution effect on our earnings per Share would be RMB5.80.

The table below shows the details of options granted to Directors, members of senior management, external consultants, connected persons and other grantees who are beneficially interested in more than 300,000 outstanding options under the Pre-IPO Share Schemes:

Name	Address	Position	Date of grant	Vesting period	Exercise price (US$)	Total number of Shares underlying outstanding options	Underlying Shares of outstanding options as a percentage of issued Shares immediately after the Global Offering[1]
Kerry Levan Blanchard	Room 401, No. 181 South Shaanxi Road, Huangpu District, Shanghai, PRC	Executive Director, chief executive officer	16 July 2020	4 years[3]	2.26–3.24	3,250,000	1.15%
Ian Ying Woo	1601 Johnson Avenue, #8, Elmont NY11003, USA	Executive Director, president and chief financial officer	16 July 2020	4 years[2]	2.26	110,000	0.04%
Xiaofan Zhang	Room 502, Block 163, 1038 Huashan Road, Shanghai, PRC	Executive Director and chief operating officer	6 March 2020; 16 July 2020	4 years[3]	0.18	2,353,902	0.83%
Jason Brown	12671 High Bluff Drive, Suite 330 San Diego, CA 92130	Chief business officer	23 November 2017; 16 July 2020	4 years[3]	0.18–2.26	991,951	0.35%

Name	Address	Position	Date of grant	Vesting period	Exercise price (US$)	Total number of Shares underlying outstanding options	Underlying Shares of outstanding options as a percentage of issued Shares immediately after the Global Offering[1]
Sunny Xu Zhu	RM 6-2-1001, Lin Cui Road Number 1, Chaoyang District, Beijing, P.R. China	Chief medical officer (infectious disease)	31 December 2018; 1 February 2019; 1 June 2019; 18 February 2020; 16 July 2020;	4 years[3]	0.18	740,000	0.26%
Zhengying Zhu . . .	No. 84, 165 Alley, Guiping Road, Xuhui District, Shanghai	Chief medical officer (internal medicine)	31 December 2018; 18 February 2020; 16 July 2020;	4 years[3]	0.18	1,220,000	0.43%
Yang Shi	3-3-1201 Taihua Binhe Yuan Beijing	Chief medical officer (oncology)	18 February 2020; 16 July 2020	4 years[3]	0.18	1,032,560	0.36%
Steven Hu	C-1501, 45 Huangyang Road, Pudong, Shanghai	Senior vice-president (CMC)	31 December 2018; 18 February 2020	4 years	0.18–1.21	941,716	0.33%
Sean Cao[4]	56 Cynthia Rd, Newton, MA 02459	External consultant	23 November 2017	4 years	0.18	1,682,926	0.59%
Yuan Gao[5]	8-606, North Dongzhimen Street, Dongcheng District, Beijing	Vice president, regulatory affairs	31 December 2018; 1 February 2019; 1 June 2019; 18 February 2020	4 years	0.18	315,976	0.11%
Zixin Qiao[5]	No. 105, Lane 3333, Jinhai Road, Pudong New Area, Shanghai	Legal director	18 February 2020; 31 July 2020	4 years	0.18–3.24	240,000	0.08%
Fang Fang	Block B, BLD 11, Rm1002; Linken Park, Yizhuang BDA, Daxing District, Beijing 100176	Chief of staff	31 December 2018; 18 February 2020; 31 July 2020	4 years [3]	0.18	603,453	0.21%
Lin Yang	No.69, Lane 4028, Longdong Avenue, Pudong New Area, Shanghai	Vice president of marketing	16 July 2020	4 years	3.24	463,000	0.16%

Name	Address	Position	Date of grant	Vesting period	Exercise price (US$)	Total number of Shares underlying outstanding options	Underlying Shares of outstanding options as a percentage of issued Shares immediately after the Global Offering[1]
Xiaolu Weng	Room 1502, No.20, Lane 1700, Gubei Road, Shanghai	Vice president of finance	18 February 2020; 31 July 2020	4 years	0.18–3.24	334,043	0.12%
Cheng Ying	#170, No. 55 Jinfen Road, Minhang District, Shanghai. Post code 201107	External consultant	31 July 2020	4 years[2]	0.18	155,618	0.05%
Xiangyi Shen	Unit 1601 › No 1 Lane 58 Tongchuan road	External consultant	31 December 2018	4 years	0.18	14,000	0.00%
Fanfei Wu	No.2388-90, Gu Yang Bei Road, Shanghai	External consultant	18 February 2020	4 years	0.18	25,000	0.01%
	Total					**14,474,145**	**5.10%**

Notes:

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes

(2) All options granted subject to immediate vesting upon Listing.

(3) A portion of options granted subject to immediate vesting upon Listing.

(4) Sean Cao is a connected person of our Company because he was a director of our Company in the last 12 months.

(5) Yuan Gao and Zixin Qiao are connected persons of our Company because they are directors of our subsidiaries.

The table below shows the details of options granted to the remaining 88 grantees (being the other grantees who are not Directors, members of senior management, connected persons, external consultants or grantees that are beneficially interested in more than 300,000 outstanding options) under the Pre-IPO Share Schemes which are outstanding:

Range of Shares underlying outstanding options under the Pre-IPO Share Schemes	Total number of grantees	Total number of Shares	Exercise price	Date of grant	Vesting period	Exercise period[1]	Underlying Shares of outstanding options as a percentage of issued Shares immediately after the Global Offering [2]
1 share to 50,000 shares ...	48	949,121	0.18 – 3.24	31 December 2018 to 31 July 2020	4 years	7 years	0.33%
50,001 shares to 100,000 shares	10	733,383	0.18 – 3.24	31 December 2018 to 31 July 2020	4 years	7 years	0.26%
100,001 shares to 200,000 shares	13	1,676,720	0.18 – 3.24	31 December 2018 to 31 July 2020	4 years	7 years	0.59%
200,001 shares to 300,000 shares	17	3,963,789	0.18 – 3.24	31 December 2018 to 31 July 2020	4 years	7 years	1.40%
Total		**7,323,013**					**2.58%**

Note:

(1) Options can be exercised within 3 years after the consummation of the listing of the Shares on a stock exchange or 7 years after the date of grant, whichever is later.

(2) Assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes

4. Post-IPO Share Award Scheme

The following is a summary of the principal terms of the Post-IPO Share Award Scheme conditionally adopted by the Shareholders' resolutions dated 21 September 2020 effective from the Listing Date. The Post-IPO Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

Purpose

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of our Group.

Eligible Persons

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to our Group is eligible to receive an Award (as defined below). However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

Awards

An Award gives a selected participant a conditional right, when the Shares vest, to obtain the Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted ("**Grant Date**") to the date the Award vests ("**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Shares be paid to the selected participant even though the Shares have not yet vested.

Grant of Award

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a director or an officer of our Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chief executive officer shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of an Award). Our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of shares to connected persons of our Company.

The Board and its delegate(s) may not grant any Shares to any selected participant in certain circumstances, including the following:

(i) where any applicable approval from any applicable regulatory authorities has not been granted;

(ii) where any member of our Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Post-IPO Share Award Scheme, unless the Board determines otherwise;

(iii) where such Award would result in a breach by any member of our Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(iv) where such grant of Award would result in a breach of the Share Award Scheme Limit (as defined below) or would otherwise cause our Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;

(v) where any Director is in possession of unpublished inside information in relation to our Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

(vi) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(vii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Maximum number of Shares to be granted

The maximum aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 14,184,519 Shares (representing approximately 5% of the total issued Shares immediately after completion of the Global Offering, assuming the Over-allotment Option and no Share are issued pursuant to the Share Schemes) without further Shareholders' approval (the "**Share Award Scheme Limit**"), subject to an annual limit of 1% of the total number of issued Shares of the relevant times.

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Scheme.

Scheme Mandate

To the extent that the Share Award Scheme Limit is subsequently increased by way of alteration of the Post-IPO Share Award Scheme and our Company is required to issue and allot new shares to satisfy any Awards in excess of any amount previously approved by our Shareholders (as the case may be), our Company shall at a general meeting propose, and the Shareholders shall consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

(i) the maximum number of new Shares that may be issued for this purpose;

(ii) that the Board has the power to issue, allot, procure the transfer of and otherwise deal with the Shares in connection with the Post-IPO Share Award Scheme; and

(iii) the mandate will remain in effect during the period from the passing of the ordinary resolution granting the mandate until the variation or revocation of such mandate by an ordinary resolution of the Shareholders in a general meeting.

Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Shares be paid to the selected participants even though the Shares have not yet vested, the selected participant only has a contingent interest in the Shares underlying an Award unless and until such Shares are actually transferred to the selected participant, nor does he/she have any rights to any cash or non-cash income until the Shares and related income vest.

Rights attached to the Shares

Any Shares transferred to a selected participant in respect of any Awards will be subject to all the provisions of the Memorandum and Articles of Association and will form a single class with the fully paid Shares in issue on the relevant date.

Assignment of Awards

Any Shares granted under the Post-IPO Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

Vesting of Awards

The Board or its delegate(s) may from time to time while the Post-IPO Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

If there is an event of change in control of our Company by way of a merger, a privatization of our Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

Consolidation, subdivision, bonus issue and other distribution

In the event our Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding Shares that have been granted provided that the adjustments shall be made in such manner as the Board or its delegate(s) determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO Share Award Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or sub-division in respect of the Shares of a selected participant shall be deemed as returned shares ("**Returned Shares**") and shall not be transferred to the relevant selected participant on the relevant Vesting Date.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board or its delegate(s) considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Shares of each selected participant as the Board

or its delegate(s) shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO Share Award Scheme for the selected participants.

Retirement, death or permanent physical or mental disability of an eligible person

If a selected participant ceases to be an eligible person by reason of retirement of the selected participant, any outstanding Shares and related income not yet vested shall continue to vest in accordance with the Vesting Dates set out in the Award Letter, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an eligible person by reason of (i) death of the selected participant; (ii) termination of the selected participant's employment or contractual engagement with our Group or an affiliate by reason of his/her permanent physical or mental disablement; or (iii) termination of the selected participant's employment or contractual engagement with our Group by reason of redundancy, any outstanding Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant, being an employee whose employment is terminated by our Group or an affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the selected participant having been convicted of any criminal offense involving his or her integrity or honesty, any outstanding Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

Grant of Shares under the Post-IPO Share Award Scheme

As of the date of this document, no Shares have been granted or agreed to be granted under the Post-IPO Share Award Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the Post-IPO Share Award Scheme.

Duration and termination

The Post-IPO Share Award Scheme shall be valid and effective for ten years from the Listing Date (the "**Award Period**") (after which no Awards will be granted), and thereafter for so long as there are any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, in order to give effect to the vesting of such Shares or otherwise as may be required in accordance with the rules of the Post-IPO Share Award Scheme. Subject to the foregoing, the Post-IPO Share Award Scheme shall terminate on the earlier of:

(i) the end of the Award Period except in respect of any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and

(ii) such date of early termination as determined by our Board provided that such termination shall not affect any subsisting rights in respect of the Shares granted to a selected participant under the Post-IPO Share Award Scheme.

Administration by trustee

Without prejudice to the Board's general power of administration, to the extent not prohibited by applicable laws and regulations, the Board or the committee of the Board or persons to which the Board has delegated its authority may from time to time appoint one or more trustees in respect of granting administration or vesting of any Shares under the Post-IPO Share Award Scheme.

Subject to the rules of the Post-IPO Share Award Scheme:

(i) our Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, for the purposes of satisfying the grant of awards, issue and allot Shares to the trustee and/or transfer to the trust the necessary funds and instruct the trustee to acquire Shares through on-market transactions at the prevailing market price; and

(ii) our Company shall instruct the trustee whether or not to apply any Returned Shares to satisfy any grant of Awards made, and if the Returned Shares, as specified by our Company, are not sufficient to satisfy the Awards granted, our Company shall as soon as reasonably practicable and no later than 30 business days from the Grant Date, for purposes of satisfying the Awards granted, issue and allot further Shares to the trustee and/or transfer to the trust the necessary funds and instruct the trustee to acquire further Shares through on-market transactions at the prevailing market price.

Where the trustee has received instructions from our Company to acquire shares through on-market transactions, the trustee shall acquire such number of Shares as instructed by our Company on-market at the prevailing market price as soon as reasonably practicable after receiving the necessary funds from our Company. The trustee shall only be obliged to transfer Shares granted (and the related income derived from such Shares) to selected participants on vesting to the extent that Shares granted (and the related income derived from such Shares) are comprised in the trust.

5. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by our Shareholders' resolutions dated 21 September 2020 with effect from Listing. The terms of the Post-IPO Share Option Scheme will be subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide Eligible Persons (defined below) with the opportunity to acquire proprietary interests in our Company and to encourage the Eligible Person to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

Eligible Persons

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any of our Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options ("**Eligible Person(s)**").

However, no individual who is resident in a place where the grant, acceptance, vesting or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company is 28,369,038, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) (the "**Option Scheme Mandate Limit**"). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Option Scheme Mandate Limit as refreshed cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also seek separate approval of our Shareholders in general meeting for granting options beyond the Option Scheme Mandate Limit, provided such grant is to Eligible Person specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each Eligible Person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to an Eligible Person which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders in general meeting (with such Eligible Persons and his associates abstaining from voting).

Performance target

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

Subscription price

The price per Share at which a grantee may subscribe for Shares on the exercise of an option (the "**Subscription Price**") shall be such price determined by the Board in its absolute discretion and shall be no less than the higher of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme.

Options granted to directors or substantial shareholders of our Company

Each grant of options to any director of our Company, the chief executive (as defined in the Listing Rules) or substantial shareholder of our Company (or any of their respective associates) shall be subject to the prior approval by the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be subject to the prior approval by our Shareholders (voting by way of poll) in general meeting. Our Company shall send a circular to our Shareholders in accordance with and containing such information as is required under the Listing Rules. All core connected persons of our Company shall abstain from voting at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

Grant offer letter and notification of grant of options

An offer shall be made to Eligible Persons by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company within 20 business days from the date on which the letter containing the offer is delivered to the Eligible Person.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that Eligible Person, it shall be deemed to have been irrevocably declined.

Restriction of grant of options

No offer shall be made and no option shall be granted to any Eligible Person in circumstances prohibited by the Listing Rules or at a time when the Eligible Person would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any Eligible Person where our Company or such persons are in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules. Furthermore, no offer shall be made and no option shall be granted:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Such period will also cover any period of delay in the publication of any results announcement.

Time of exercise of an option

An option may, subject to the rules of the Post-IPO Share Option Scheme and the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as our Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Cancelation of options granted

Any breaches of the rules of the Post-IPO Share Option Scheme by a grantee may result in the options granted to such grantee being canceled by our Company. Any options granted but not exercised may be canceled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the canceled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

Lapse of an option

Without prejudice to the additional situations provided by our Board or its delegates(s), an option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than 10 years from the date of grant (the "**Option Period**");

(ii) the expiry of any of the periods for exercising the option as referred to in the paragraphs headed "Retirement, death or permanent physical or mental disability of an Eligible Person", "Termination of employment of an Eligible Person", "Rights on takeover and schemes of compromise or arrangement" and "Rights on a voluntary winding up" below; and

(iii) the date on which the grantee commits a breach of the rules detailed under the heading "Rights are personal to grantee" above.

Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

Effects of alterations in the capital structure of our Company

In the event of an alteration in the capital structure of our Company by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares comprised in each option so far as unexercised;

(ii) the Subscription Price;

(iii) the method of exercise of the option; or

(iv) any combination thereof,

as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company (or as nearly as possible but not greater than the same proportion of the equity capital of our Company) as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by our Company.

Retirement, death or permanent physical or mental disability of an Eligible Person

If a grantee ceases to be an Eligible Person by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with our Group or our Group's affiliate by reason of

his/her permanent physical or mental disablement, or (iii) retirement of the grantee, the option may be exercised within the Option Period, or such other period as the Board or its delegate(s) may decide in their sole discretion.

In the case of death of a grantee, the option may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong.

If the option is not exercised within the times mentioned above, the option shall lapse.

Termination of employment of an Eligible Person

If a grantee, being an employee whose employment is terminated by our Group or its affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the grantee having been convicted of any criminal offense involving his integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be an Eligible Person due to termination of his/her employment or contractual engagement with our Group by reason of redundancy, the option may be exercised within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

If a grantee ceases to be an Eligible Person other than in any of the circumstances described above, unless otherwise provided in the letter containing the offer, a grantee may exercise his/her option within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to all our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a compromise or arrangement between our Company and our members or creditors is proposed, our Company shall give notice to the grantee on the same date as we dispatch the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may, until the expiry of the period commencing with such date and ending with the earlier of the date 2 calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court, exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except

insofar as previously exercised under the Post-IPO Share Option Scheme. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

Rights on a voluntary winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this rule) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum and Articles and will rank *pari passu* with fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to our Shareholders on the register on a date prior to such registration.

Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

Alteration of the Post-IPO Share Option Scheme

The Board may amend or vary any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Person, and no changes

to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of Options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders of our Company in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not result in any breach of the Listing Rules, the Articles, the Cayman Companies Law or the Takeovers Code.

Termination

Our Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Share Option Scheme prior to the expiry of the Post-IPO Share Option Scheme and in such event no further options will be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

Details of the options granted, including options exercised or outstanding, under the Post-IPO Share Option Scheme shall be disclosed in the circular to our Shareholders seeking approval of the new scheme established after the termination of the Post-IPO Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US$600,000 for acting as the joint sponsor for the Listing.

4. Consent of experts

This document contains statements made by the following experts:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
Merrill Lynch Far East Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Zhong Lun Law Firm	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

(ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed "—Other information—Consent of experts" received any such payment or benefit.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares in our Company or any member of our Group;

(ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

(iii) none of the Directors or the experts named in the part headed "—Other information—Consent of experts" above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and

(iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(vi) there are no outstanding debentures of our Company or any member of our Group;

(vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;

(viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

(ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents,:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in "Statutory and general information—Other information—Consent of experts" in Appendix IV; and

(c) copies of the material contracts referred to in "Statutory and general information—Further information about our business—Summary of material contracts" in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the material contracts referred to in the section headed "Statutory and general information—B. Further information about our business—1. Summary of material contracts" in Appendix IV;

(c) the service contracts and the letters of appointment with our Directors referred to in the section headed "Statutory and general information—C. Further information about our Directors—1. Particulars of Directors' service contracts and appointment letters" in Appendix IV;

(d) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in the section headed "Industry overview";

(e) the PRC legal opinions issued by Zhong Lun Law Firm, our PRC Legal Adviser on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;

(f) the Accountant's Report on our Group and the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendices I and II;

(g) the audited consolidated financial statements of our Company for the two financial years ended 31 December 2018 and 2019 and for the three months ended 31 March 2020;

(h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands law, summarizing certain aspects of Cayman company law referred to in Appendix III;

(i) the Cayman Companies Law;

(j) the written consents referred to in the section headed "Statutory and general information—E. Other information—4. Consent of experts" in Appendix IV;

(k) the terms of the Pre-IPO ESOP, Pre-IPO MSOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme; and

(l) a list of grantees under the Pre-IPO Share Schemes.


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