先声药业 Simcere

先聲藥業集團有限公司

Simcere Pharmaceutical Group Limited

Incorporated in Hong Kong with limited liability

STOCK CODE: 2096

GLOBAL OFFERING

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

Morgan Stanley

CICC 中金公司

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

UBS

Joint Bookrunner and Joint Lead Manager

招銀国际 CMB INTERNATIONAL

Joint Lead Manager

信銀(香港)資本有限公司 CNCB (HONG KONG) CAPITAL LIMITED

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

Simcere Pharmaceutical Group Limited
先聲藥業集團有限公司

(Incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**260,569,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**26,058,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**234,511,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$13.70 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 and subject to refund)**
Stock Code	**:**	**2096**

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

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI – Documents Delivered to the Registrar of Companies and Available for Inspection," has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Friday, October 16, 2020 and, in any event, not later than Thursday, October 22, 2020. The Offer Price will not be more than HK$13.70 per Offer Share and is expected to be not less than HK$12.10 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$13.70 per Offer Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$13.70 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.simcere.com** not later than 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 the Hong Kong Offer Shares" for more details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only (i) in the United States to qualified institutional buyers in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside of the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting."

October 13, 2020

EXPECTED TIMETABLE[1]

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Friday, October 16, 2020

Application lists of the Hong Kong Public Offering open[3] . . . . . .11:45 a.m. on Friday, October 16, 2020

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . . .12:00 noon on Friday, October 16, 2020

Latest time to give **electronic application instructions** to HKSCC[4] . . . . . .12:00 noon on Friday, October 16, 2020

Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Friday, October 16, 2020

Application lists of the Hong Kong Public Offering close . . . . . .12:00 noon on Friday, October 16, 2020

Expected Price Determination Date[5] . . . . . .Friday, October 16, 2020

(1) Announcement of the Offer Price, an indication of the level 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 to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **http://www.simcere.com** on or before[6] . . . . . .Thursday, October 22, 2020

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **http://www.simcere.com** (see "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" in this Prospectus) from . . . . . .Thursday, October 22, 2020

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **http://www.simcere.com**[7] from .....Thursday, October 22, 2020

Results of allocations for the Hong Kong Public Offering will be available 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 .....Thursday, October 22, 2020

Dispatch/collection of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] ..... Thursday, October 22, 2020

Dispatch/collection of **White Form** e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Public Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful application on or before[8] ..... Thursday, October 22, 2020

Dealings in Shares on the Stock Exchange to commence on ....Friday, October 23, 2020

Notes:

(1) All times and dates refer to Hong Kong local time and date, 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 a payment reference number from the designated website prior to 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 a typhoon warning signal number 8 or above, an announcement of "extreme conditions" caused by a super typhoon by the Government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Friday, October 16, 2020, the application lists will not open on that day. See "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" of this Prospectus.

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

(5) The Price Determination Date is expected to be on or around Friday, October 16, 2020, and, in any event, not later than Thursday, October 22, 2020, or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Thursday, October 22, 2020, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.

(6) Share certificates are expected to be issued on Thursday, October 22, 2020 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Friday, October 23, 2020. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk.

(7) None of the websites or any of the information contained on the website forms part of this Prospectus.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting," "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" of this Prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Public Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

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IMPORTANT NOTICE TO INVESTORS

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

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

CONTENTS

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

OVERVIEW

We are a company engaged in the R&D, production and commercialization of pharmaceuticals and currently are primarily focused on generic pharmaceuticals. We have a diversified product portfolio in our strategically focused therapeutic areas, including, (i) oncology (including cell therapy), (ii) central nervous system diseases and (iii) autoimmune diseases. According to Frost & Sullivan, together, these therapeutic areas accounted for 24.7% of the total PRC pharmaceutical market in terms of sales revenue of pharmaceuticals in 2019 and grew faster than the overall PRC pharmaceutical market from 2015 to 2019, a trend which is expected to continue overall in the near future, according to Frost & Sullivan. We were the first pharmaceutical company with both biologics and small molecule drugs in China listed on the NYSE at the time of listing in 2007, and we subsequently privatized our Company in 2013. Please see "History, Reorganization and Corporate Structure – Corporate Development – Prior Listing on the NYSE" for more details.

Our diversified product portfolio centers around 10 major products (including seven generic pharmaceuticals, two category I innovative pharmaceuticals and one new formulation drug) with leading positions in their respective therapeutic segments and/or established track record, sales of which accounted for 85.1%, 83.0%, 81.9% and 78.9% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our major products include:

- Endostar (recombinant human endostatin injection), the first proprietary anti-angiogenic targeted drug in China and the only endostatin approved for sale in China and worldwide, according to Frost & Sullivan. Recombinant human endostatin has been included in the NRDL since 2017 and is recommended as a first-line treatment for advanced non-small-cell lung cancer, or NSCLC, patients by a number of oncology clinical practice guidelines issued by NHC, Chinese Medical Association (中華醫學會) and CSCO. Endostar was developed by Shandong Simcere before it became our subsidiary;

- Bicun (edaravone injection), a synthetic free radical scavenger and the first edaravone injection approved for sale in China and the second edaravone injection approved for sale worldwide, according to Frost & Sullivan. Edaravone has been recommended for the treatment of stroke by a number of clinical practice guidelines

issued by Chinese Medical Association, the NHC, China Stroke Association (中國卒中協會), the Japan Stroke Society, the American Heart Association and the American Stroke Association. Bicun was internally developed by us. It was included in the Control List in 2019 and subsequently removed from the latest version of NRDL in 2020;

- Iremod (iguratimod tablets), a small molecule disease-modifying antirheumatic drug, or DMARD, and the first iguratimod pharmaceutical product approved for sale in the world, according to Frost & Sullivan. Iguratimod has been included in the NRDL since 2017 and is recommended as the primary therapy drug for the treatment of active rheumatoid arthritis by a number of clinical practice guidelines and pathways issued by the NHC, Chinese Medical Association, Asia Pacific League of Associations for Rheumatology and the Ministry of Health, Labor and Welfare of Japan. Iremod was developed by us in collaboration with an Independent Third Party, which is a pharmaceutical research institute in China;

- Softan (rosuvastatin calcium tablets), a cholesterol lowering statin. Rosuvastatin has been included in the NRDL since 2009 and is included in a number of clinical practice guidelines in China as a recommended therapy drug for dyslipidemia as well as various clinical practice guidelines in the United States, Canada and the European Union as the first-line treatment for lowering blood cholesterol. Softan was acquired by us from an Independent Third Party, which is a company primarily engaged in the R&D, production and sale of pharmaceuticals in China; and

- Yingtaiqing (diclofenac sodium sustained-release capsules/gel), a non-steroidal anti-inflammatory pharmaceutical. Diclofenac sodium sustained-release capsules have been included in the NRDL since 2004. While the Yingtaiqing-branded sustained-release capsules that we current sell and/or promote are produced by and sourced from CPU Pharma, we have also internally developed Yingtaiqing-branded sustained-release capsules and gel.

The above-mentioned clinical practice guidelines and pathways are authoritative among physicians, according to Frost & Sullivan, although physicians are not mandatorily required to follow them.

Generic pharmaceuticals contributed a substantial portion of our revenue during the Track Record Period. Among our major products, Bicun, Yingtaiqing, Newanti and Jepaso are first-to-market generic pharmaceuticals, Jiebaili, Softan and ZAILIN are generic pharmaceuticals, while Endostar and Iremod are category I innovative pharmaceuticals and Sinofuan is a new formulation drug. Revenue derived from sales of our major products that are generic pharmaceuticals accounted for 60.7%, 54.9%, 46.5% and 35.5% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, while Endostar, Iremod and Sinofuan contributed 24.4%, 28.1%, 35.4% and 43.4% of our total revenue for the same periods, respectively.

In August 2020, we launched Orencia® (abatacept injection) (a cytotoxic T-lymphocyte-associated protein 4-Fc, or CTLA4-Fc, fusion protein for the treatment of moderate to severe rheumatoid arthritis), which is an imported innovative pharmaceutical we developed in collaboration with a R&D partner for commercialization in China, and Sanbexin™ (edaravone and dexborneol concentrated solution for injection) (an edaravone compound with significantly higher efficacy than edaravone monotherapy in patients with ischemic stroke), which is a category I innovative pharmaceutical internally developed by us. In addition, we have obtained the exclusive promotion right in respect of KN035 (Envafolimab) (a subcutaneously injectable programmed death ligand 1 inhibitor, or PD-L1 inhibitor), which is a category I innovative pharmaceutical candidate and is expected to be launched in 2021. We believe that such innovative products have significant market potential and, with our established commercial capabilities, will continue to drive our future growth.

We have continued to increase our investment in R&D during the Track Record Period. As of June 30, 2020, our R&D department consisted of 756 full-time employees, 331 of whom held master's degrees and 116 held Ph.D. degrees. We have established three R&D centers in Nanjing (the Jiangsu Province), Shanghai and Boston (the United States), respectively. With the approval of the Ministry of Science and Technology, we have also established a national key laboratory of translational medicine and innovative pharmaceuticals (轉化醫學與創新藥物國家重點實驗室). For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our research and development costs accounted for 5.5%, 9.9%, 14.2% and 23.6%, respectively, of our total revenue for the same periods. Our dedicated business development team monitors market developments and actively pursues potential collaboration opportunities. We have successfully established collaboration relationships with leading domestic and international pharmaceutical companies and biotechnology companies, securing exclusive development and commercialization rights in China. Our vigorous in-house R&D efforts and extensive R&D collaborations have translated into a robust pipeline of product candidates. In the next few years, we expect to submit or obtain the generic drugs approval or Import Drug License, or IDL, application for 17 selected generic pharmaceutical and biosimilar candidates. More importantly, as of the Latest Practicable Date, we had nearly 50 innovative product candidates in different stages of development which we are either internally developing or developing in collaboration with R&D partners. These include small molecule pharmaceuticals, large molecule pharmaceuticals and chimeric antigen receptor T cell therapies, or CAR T-cell therapies, among which nearly 10 product candidates had obtained the IND approval or were at clinical stage.

We are a vertically integrated pharmaceutical company with established manufacturing and commercial capabilities. We maintain an effective and nationwide sales and distribution network supported by over 2,800 sales and marketing personnel spanning 31 provinces, municipalities and autonomous regions across China as of June 30, 2020, covering approximately 2,100 Class III hospitals, approximately 17,000 other hospitals and medical institutions, as well as more than 200 large-scale national or regional pharmacy chains. Our leading commercial capabilities have enabled us to continuously procure our products' entry into the NRDL as well as clinical practice guidelines and pathways. As of June 30, 2020, our existing product portfolio included over 30 products in the NRDL and over 10 products recommended in more than 40 clinical practice guidelines and pathways issued by government authorities or prestigious professional associations.

We currently have five PRC GMP certified production facilities for the manufacturing of our pharmaceutical products, including one located in Nanjing, Jiangsu Province, two located in Hainan Province, one located in Yantai, Shandong Province and one located in Wuhu, Anhui Province. As of the Latest Practicable Date, our production facilities housed a total of 21 production lines for the production of biologics and small molecule pharmaceuticals in a variety of dosage forms including injectables, oral liquids, oral solid dosage forms (tablets, capsules, granules and powders), implants, gel and dry powder for inhalation, as well as five workshops for the production of APIs. We have received EU GMP certification or passed the U.S. FDA inspection for some of our production workshops. Moreover, we have a production facility for mAbs and other biologics in our pipeline, which is expected to commence pilot-scale production in December 2020. Furthermore, considering the complexity and difficulty in the manufacturing of cell therapy pharmaceuticals, we are currently constructing a new pilot-scale GMP-grade workshop for chemistry, manufacturing, and controls processes, or CMC, and clinical research of the cell therapy pharmaceuticals in our product pipeline. We also plan to construct a new production facility for the commercial-scale production of cell therapy pharmaceuticals in our product pipeline in preparation for their commercial launch.

We have been recognized as one of the "Top 10 Innovative Pharmaceutical Enterprises in China (中國創新力醫藥企業十強)" from 2014 to 2019 and as one of the "Top 100 Pharmaceutical Manufacturing Enterprises of China (中國製藥工業百強)" from 2009 to 2018. Our revenue increased from RMB3,867.9 million in 2017 to RMB5,036.7 million in 2019, representing a CAGR of 14.1%. Our revenue decreased by 20.2% from RMB2,414.0 million for the six months ended June 30, 2019 to RMB1,925.4 million for the six months ended June 30, 2020. Our net profit increased from RMB350.4 million in 2017 to RMB1,003.6 million in 2019, representing a CAGR of 69.2%. Our net profit decreased by 59.9% from RMB461.0 million for the six months ended June 30, 2019 to RMB184.8 million for the six months ended June 30, 2020.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- Comprehensive and leading product portfolio focused in three large and fast-growing therapeutic areas with an increasing revenue contribution from innovative pharmaceuticals

- Three newly launched or near-commercial potential best-in-class therapies with significant market potential

- Robust product pipeline driven by our in-house R&D efforts and R&D collaborations

- Leading commercial capabilities with nationwide sales and distribution network

- World-class manufacturing infrastructure and quality control standards

- A visionary senior management team with a strong sense of mission and proven track record

OUR STRATEGIES

We plan to implement the following strategies:

- Continue to invest in R&D and rapidly advance the development of our product candidates
- Continue to source innovative therapies globally and expand our R&D network
- Continue to attract and develop the best talent and strengthen our human capital
- Continue to expand our market access and strengthen our sales and marketing capabilities
- Further enhance our GMP-compliant manufacturing capabilities

OUR PRODUCT PORTFOLIO

Our Existing Product Portfolio

With our continuous growth over the years, we have established a diversified product portfolio comprising six products for the treatment of oncology diseases (including four generic pharmaceuticals, one innovative pharmaceutical and one new formulation drug), three products for the treatment of central nervous system diseases (including two generic pharmaceuticals and one innovative pharmaceutical), four products for the treatment of autoimmune diseases (including two generic pharmaceuticals and two innovative pharmaceuticals), three products for the treatment of cardiovascular diseases (including two generic pharmaceuticals and one innovative pharmaceutical), 11 products for the treatment of bacterial or virus-related infectious diseases (all of which are generic pharmaceuticals) and a number of products for the treatment of other diseases as of the Latest Practicable Date. As of the Latest Practicable Date, our existing product portfolio included seven products in Part A of the NRDL, which contributed an aggregate of 14.0%, 12.9%, 13.4% and 13.7% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, as well as 28 products in Part B of the NRDL, which contributed an aggregate of 46.7%, 53.2%, 61.1% and 68.6% of our total revenue for the same periods, respectively. Our existing portfolio comprises both our pharmaceutical products that we manufacture in-house and third-party pharmaceutical products from reputable pharmaceutical companies that we sell and/or promote. Please see "Business – Sales, Marketing and Distribution – Distribution and Promotion of Third-party Pharmaceutical Products" for more details about third-party pharmaceutical products. We also manufacture and sell a number of APIs, such as diosmectite.

Oncology Products

According to Frost & Sullivan, oncology was the 5th largest therapeutic area in China in terms of sales revenue of pharmaceuticals in 2019, accounting for 11.2% of the overall pharmaceutical market in the same year. As of the Latest Practicable Date, our oncology product portfolio comprised six products, including our major products: Endostar (recombinant human endostatin injection), Jepaso (nedaplatin for injection), Jiebaili (pemetrexed disodium for injection) and Sinofuan (5-fluorouracil implants). For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of oncology products were RMB1,004.9 million, RMB1,279.8 million, RMB1,568.9 million and RMB537.6 million, respectively, accounting for 26.2%, 29.7%, 32.7% and 29.8% of our revenue from sales of pharmaceutical products for the same periods, respectively.

Central Nervous System Products

According to Frost & Sullivan, central nervous system diseases were the 4th largest therapeutic area in China in terms of sales revenue of pharmaceuticals in 2019, accounting for 12.5% of the overall pharmaceutical market in the same year. As of the Latest Practicable Date, our central nervous system product portfolio comprised three products, including our major product, Bicun (edaravone injection). For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of central nervous system products were RMB1,276.1 million, RMB1,202.0 million, RMB936.9 million and RMB178.0 million, respectively, accounting for 33.3%, 27.9%, 19.5% and 9.9% of our revenue from sales of pharmaceutical products for the same periods, respectively.

Bicun was included in the Control List in 2019 and subsequently removed from the NRDL in 2020, as a result of which our sales of Bicun decreased from RMB1,198.6 million in 2018 to RMB936.9 million in 2019, and further decreased from RMB572.8 million for the six months ended June 30, 2019 to RMB178.0 million for the six months ended June 30, 2020. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry," "Business – Major Recent Regulatory Reforms" and "Financial Information – Period to Period Comparison of Results of Operations" for more details.

Autoimmune Products

According to Frost & Sullivan, autoimmune diseases were one of the fastest growing therapeutic areas in China in terms of sales revenue of pharmaceuticals in 2019. As of the Latest Practicable Date, our autoimmune product portfolio comprised four products, including our major products, Iremod (iguratimod tablets) and Yingtaiqing (diclofenac sodium sustained release capsules/gel). For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of autoimmune products were RMB423.2 million, RMB537.8 million, RMB813.8 million and RMB537.0 million, respectively, accounting for 11.0%, 12.5%, 17.0% and 29.8% of our revenue from sales of pharmaceutical products for the same periods, respectively.

Cardiovascular Products

According to Frost & Sullivan, sales revenue of cardiovascular pharmaceuticals accounted for 13.0% of the overall pharmaceutical market in 2019. As of the Latest Practicable Date, our cardiovascular product portfolio comprised three products, including our major product, Softan (rosuvastatin calcium tablets). We also market and/or sell OLMETEC PLUS (olmesartan medoxomil and hydrochlorothiazide tablets) developed and manufactured by Daiichi Sankyo. Angiotensin II receptor blocker is the most prescribed category of anti-hypertensive pharmaceuticals worldwide, while OLMETEC PLUS is a new-generation fixed-dose combination of an angiotensin II receptor blocker, olmesartan medoxomil, and a thiazide diuretic, hydrochlorothiazide, and an exclusive product in the PRC pharmaceutical market. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of cardiovascular products were RMB243.4 million, RMB353.1 million, RMB445.5 million and RMB181.9 million, respectively, accounting for 6.3%, 8.2%, 9.3% and 10.1% of our revenue from sales of pharmaceutical products for the same periods, respectively.

Anti-Infective Products

According to Frost & Sullivan, sales revenue of anti-infective pharmaceuticals accounted for 13.8% of the overall pharmaceutical market in 2019. As of the Latest Practicable Date, our anti-infective product portfolio comprised 11 products, including our major products, Newanti (biapenem for injection) and ZAILIN (amoxicillin granules/dispersible tablets/capsules). Our anti-infective product portfolio also includes our ZAILIKE-branded arbidol dispersible tablets, a broad-spectrum anti-viral for treatment of influenza, which have been included in the NRDL in 2019. Arbidol is recommended by the NHC in its "Guidelines for the Diagnosis and Treatment of Influenza (2019 Edition)" (《流行性感冒診療方案(2019年版)》) and "Guidelines for the Diagnosis and Treatment of COVID-19 (Sixth/Seventh Editions for Trial Implementation)" (《新冠肺炎診療方案(試行第六版、第七版)》). For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of anti-infective products were RMB564.7 million, RMB579.5 million, RMB635.7 million and RMB211.2 million, respectively, accounting for 14.7%, 13.4%, 13.2% and 11.7% of our revenue from sales of pharmaceutical products for the same periods, respectively.

Other Products

We currently sell and/or promote a number of other pharmaceutical products, such as our Biqi-branded diosmectite powder, our anti-diarrhea products, which have obtained EU GMP certification and are currently sold in both China and the Europe. We also sell a number of APIs, such as diosmectite. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, sales of other products were RMB324.6 million, RMB356.9 million, RMB399.6 million and RMB157.7 million, respectively, accounting for 8.5%, 8.3%, 8.3% and 8.7% of our revenue from sales of pharmaceutical products for the same periods, respectively.

The following table sets forth selected information of our major products as of the Latest Practicable Date:

Therapeutic area	Major product	Classification	Indication(s)	Year of approval for sales in China	OTC/prescription pharmaceutical	Expiration date of production approval	Status of consistency evaluation[1]	Specifications	NRDL[2]	National Essential Drug List[3]	Internally developed/acquired/ developed in collaboration with R&D partner(s)[4]
Oncology:	Endostar (recombinant human endostatin injection)	Category I innovative pharmaceutical	NSCLC	2005	Prescription	November 12, 2024	N/A	15mg/2.4×10^5U/ 3ml per pre-filled syringe	Yes, Part B	No	Developed by Shandong Simcere before it became our subsidiary
	Jepaso (nedaplatin for injection)	First-to-market generic pharmaceutical	Solid tumors	2003	Prescription	July 6, 2025	Application filed in June 2020 (expected to pass in 2021)	10mg per vial	Yes, Part B	No	Developed by Dongjie Pharmaceutical before it was merged by Simcere Pharmaceutical
	Jiebaili (pemetrexed disodium for injection)	Generic pharmaceutical	Non-squamous NSCLC; pleural mesothelioma	2009	Prescription	March 12, 2024	Application filed in December 2019 (expected to pass in 2021)	0.1g/0.2g/0.5g per vial	Yes, Part B	Yes	Developed by Dongjie Pharmaceutical before it was merged by Simcere Pharmaceutical
	Sinofuan (5-fluorouracil implants)	New formulation drug	Digestive system tumors	2003	Prescription	September 28, 2024	N/A	0.1g per vial	No	No	Developed by Wuhu Simcere before it became our subsidiary
Central nervous system diseases:	Bicun (edaravone injection)	First-to-market generic pharmaceutical	Acute cerebral infarction	2003	Prescription	July 6, 2025	Application filed in October 2018 (expected to pass in 2021)	5ml:10mg/ 20ml:30mg per ampoule	No	No	Internally developed by us

Therapeutic area	Major product	Classification	Indication(s)	Year of approval for sales in China	OTC/prescription pharmaceutical	Expiration date of production approval	Status of consistency evaluation[1]	Specifications	NRDL[2]	National Essential Drug List[3]	Internally developed/acquired/ developed in collaboration with R&D partner(s)[4]
Autoimmune diseases:	Iremod (iguratimod tablets)	Category I innovative pharmaceutical	Active rheumatoid arthritis	2011	Prescription	June 16, 2021	N/A	25mg per pill	Yes, Part B	No	Developed in collaboration with an Independent Third Party, which is a pharmaceutical research institute in China
	Yingtaiqing (diclofenac sodium sustained-release capsules[5]/ gel)	First-to-market generic pharmaceutical (for capsules)/Generic pharmaceutical (for gel)	Pain relief	2005 (for gel)[5]	Prescription (for capsules)/OTC (for gel)	July 22, 2025 (for capsules)/ June 22, 2025 (for gel)[5]	–	50mg per pill (for capsules)/0.15g/ 0.20g/0.05g per tube (for gel)	Yes, Part A (for capsules)/ No (for gel)	Yes (for capsules)/ No (for gel)	Internally developed by us or produced by and sourced from CPU Pharma[5] (for capsules)/internally developed by us (for gel)
Cardiovascular diseases:	Softan (rosuvastatin calcium tablets)	Generic pharmaceutical	Hypercholesterolemia	2011	Prescription	January 21, 2021	Passed in October 2018 (10mg) and March 2019 (5mg)	5mg/10mg per pill	Yes, Part B	Yes	Developed by and acquired from an Independent Third Party, which is a company primarily engaged in the R&D, production and sale of pharmaceuticals in China

Therapeutic area	Major product	Classification	Indication(s)	Year of approval for sales in China	OTC/prescription pharmaceutical	Expiration date of production approval	Status of consistency evaluation[1]	Specifications	NRDL[2]	National Essential Drug List[3]	Internally developed/acquired/ developed in collaboration with R&D partner(s)[4]
Anti-infectives:											
	Newanti (biapenem for injection)	First-to-market generic pharmaceutical	Bacterial infections	2008	Prescription	December 10, 2022	Application filed in September 2019 (expected to pass in 2021)	0.3g per vial	Yes, Part B	No	Developed in collaboration with an Independent Third Party, which is a company primarily engaged in the R&D, production and sale of pharmaceutical chemicals and intermediates in China
	ZALLIN (amoxicillin granules/dispersible tablets/capsules)	Generic pharmaceutical	Bacterial infections	1993 (for granules)/ 2002 (for tablets)/1996 (for capsules)	Prescription	May 7, 2025 (for granules)/ April 8, 2024 (for tablets)/ May 7, 2025 (for capsules)	Passed in September 2019 (for granules)/ Passed in November 2019 (for capsules)	0.125g per pack (for granules)/ 0.25g per pill (for tablets)/0.25g per pill (for capsules)	Yes, Part A	Yes (for granules and capsules)/ No (for dispersible tablets)	Developed by Hainan Simcere before it became our subsidiary (for capsules and granules)/developed by Benyuan Dongyuan before it became our subsidiary (for dispersible tablets)

Notes:

(1) Our generic pharmaceuticals which had been approved for sale before the implementation of the "Reform Plan for Registration Classification of Chemical Pharmaceuticals (《化學藥品註冊分類改革工作方案》)" are required to undergo and pass the consistency evaluation pursuant to the relevant PRC regulations. In particular, all generic pharmaceuticals which are among our major products are required to complete the consistency evaluation within three years from the date the first generic pharmaceutical of the same variety (namely, of the same generic name, the same dosage form, the same specifications and the same indications) has passed the consistency evaluation. We may apply for an extension with the NMPA at the provincial level if we have assessed and considered that the relevant generic pharmaceuticals are of limited market availability and have unmet clinical demand, and the NMPA at the provincial level may grant the appropriate extension after evaluation and consultation with the provincial public health administrative authorities. Please see "Regulatory Overview – Laws and Regulations Relating to Drugs – Laws and Regulations on Drug Registration – Registration of Generic Drugs" for more details. The manufacturer of the generic pharmaceutical of the same variety as ZAILIN has filed the application for consistency evaluation.

(2) The NRDL comprises Part A and Part B. Patients purchasing pharmaceuticals included in Part A of the NRDL are entitled to reimbursement of the entire amount of the purchase price, while patients purchasing pharmaceuticals included in Part B of the NRDL are required to pay a deductible amount and obtain reimbursement for the remainder of the purchase price. The amount of the deductible differs from region to region in the PRC. In principle, the NRDL was subject to a dynamic adjustment every two years. However, the NRDL was amended from time to time in practice, without strictly following the aforementioned time interval. With the issuance of the "Interim Measures for the Administration of Drug Use in Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》)" in July 2020, which came into force in September 2020, the dynamic adjustment of the NRDL is currently expected to occur once a year in principle. In addition, pharmaceuticals included in the NRDL through the national medical insurance pricing negotiation process are subject to adjustments only upon expiration of their respective national medical insurance agreements. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Medical Insurance Program" for more details. The market demand for our pharmaceutical products is highly sensitive to the coverage of the NRDL. Please see "Risk Factors – Risks Relating to Our Business and Industry – If our products are excluded or removed from national, provincial or other government-sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be materially and adversely affected."

(3) Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Essential Drug List" for more details about the National Essential Drug List.

(4) Please see "Business – Our Product Portfolio – Our Existing Product Portfolio – Oncology Products," "Business – Our Product Portfolio – Our Existing Product Portfolio – Autoimmune Products," "Business – Our Product Portfolio – Our Existing Product Portfolio – Cardiovascular Products" and "Business – Our Product Portfolio – Our Existing Product Portfolio – Anti-Infective Products" for more details about our acquisition of, or our collaboration with R&D partners for, the relevant major products.

(5) The Yingtaiqing-branded sustained-release capsules that we current sell and/or promote are produced by and sourced from CPU Pharma. However, pursuant to our non-competition undertaking to CPU Pharma which is in line with our general practice for other third-party pharmaceutical products, we agreed not to produce diclofenac sodium sustained-release capsules unless necessary to meet the requirements of PRC laws and regulations. Please see "Business – Our Product Portfolio – Our Existing Product Portfolio – Autoimmune Products – Yingtaiqing (Diclofenac Sodium) 英太青® (雙氯芬酸鈉)" for more details. Therefore, certain information regarding Yingtaiqing-branded sustained-release capsules are not disclosed in the table above.

Among our major products, Bicun was internally developed by us and contributed 32.2%, 26.6%, 18.6% and 9.2% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, while sales of our other major products accounted for 52.9%, 56.4%, 63.3% and 69.7% of our total revenue for the same periods, respectively.

Our Product Pipeline

We employ a market-oriented approach to R&D, addressing significant unmet medical needs. Generic pharmaceuticals contributed a substantial portion of our revenue during the Track Record Period. In the next few years, we also expect to submit or obtain the generic drugs approval or IDL application for 17 selected generic pharmaceutical and biosimilar candidates. Nevertheless, in recent years, we have been strategically focusing our R&D efforts on, and continuously increasing our investment in R&D on, innovative pharmaceuticals in oncology, central nervous system disease and autoimmune disease therapeutic areas. We have accumulated extensive R&D experience, and, as a result of the efforts of our in-house R&D team and collaboration with our domestic and international R&D partners, we have successfully developed and brought to the PRC market a number of technologically advanced innovative and first-to-market generic pharmaceuticals.

Generic Product Pipeline

Our generic product pipeline centers around high entry-barrier and first-to-market generic pharmaceuticals with significant unmet clinical needs and market demand primarily in oncology, central nervous system disease and autoimmune disease therapeutic areas, while we also maintain a balanced pipeline of generic pharmaceutical candidates in other therapeutic areas. The selected generic pharmaceutical and biosimilar candidates for which we expect to submit or obtain the generic drugs approval or IDL application in the next few years are set out below:

Therapeutic area	Product candidate	Classification	Intended indication(s)	Collaboration with R&D partner(s)	Clinical trials requirement	Status
Oncology:	Bevacizumab (貝伐珠單抗)	Biologics – biosimilar	Advanced non-squamous NSCLC	Yes[(1)]	Phase III clinical trials	Phase III clinical trials
	Bendamustine hydrochloride for injection (注射用鹽酸苯達莫司汀)	Chemical drug	Chronic lymphocytic leukemia, non-Hodgkin's lymphoma	N/A	Phase III clinical trials (for 25mg); N/A (for 100mg)	Generic drugs approval application filed
	Lenvatinib mesilate capsules (甲磺酸侖伐替尼膠囊)[(2)]	Chemical drug	Unresectable hepatocellular carcinoma	N/A	Bioequivalence tests	Generic drugs approval application filed
	Palbociclib capsules (哌柏西利膠囊)[(2)]	Chemical drug	Locally advanced or metastatic breast cancer	N/A	Bioequivalence tests	Generic drugs approval application filed

Therapeutic area	Product candidate	Classification	Intended indication(s)	Collaboration with R&D partner(s)	Clinical trials requirement	Status
	Ibrutinib capsules (伊布替尼膠囊)	Chemical drug	Mantle cell lymphoma	N/A	Bioequivalence tests	Bioequivalence tests
	Cabozantinib s-malate tablets (蘋果酸卡博替尼片)	Chemical drug	Advanced renal cell carcinoma	N/A	Bioequivalence tests	Bioequivalence tests
	Relugolix tablets (瑞盧戈利片)	Chemical drug	Uterine fibroids	N/A	Bioequivalence tests	CMC
Central nervous system diseases:	Batroxobin injection (巴曲酶注射液)	Chemical drug	Acute cerebral infarction, chronic arterial occlusion, sudden deafness	N/A	Phase III clinical trials	CMC
Autoimmune diseases:	Celecoxib capsules (塞來昔布膠囊)[3]	Chemical drug	Osteoarthritis, rheumatoid arthritis, ankylosing spondylitis, acute pain	N/A	Bioequivalence tests	ANDA obtained in the U.S.
	Apremilast tablets (阿普斯特片)[4]	Chemical drug	Chronic plaque psoriasis, active psoriatic arthritis	N/A	Bioequivalence tests	Generic drugs approval application filed
Others:	Cinacalcet hydrochloride tablets (鹽酸西那卡塞片)[5]	Chemical drug	Secondary hyperparathyroidism in patients with chronic kidney disease on dialysis	Collaboration with Fujian Haixi Pharmaceutical Co., Ltd. (福建海西新藥創制有限公司)	Bioequivalence tests	Generic drugs approval application filed
	Sevelamer carbonate tablets (碳酸司維拉姆片)[5]	Chemical drug	Hyperphosphatemia in adult patients with chronic kidney diseases	N/A	N/A	Generic drugs approval application filed
	Voriconazole for injection (注射用伏立康唑)	Chemical drug	Invasive aspergillosis, candidemia (nonneutropenics) and disseminated candidiasis, esophageal candidiasis, serious infections caused by scedosporium apiospermum and fusarium species including fusarium solani	N/A	Bioequivalence tests	CMC
	Posaconazole injection/enteric-coated tablets/oral suspension (泊沙康唑注射液/腸溶片/口服混懸液)	Chemical drug	Invasive aspergillus and candida infections	N/A	Bioequivalence tests	Bioequivalence tests (for injections); CMC (for enteric-coated tablets and oral suspensions)

Therapeutic area	Product candidate	Classification	Intended indication(s)	Collaboration with R&D partner(s)	Clinical trials requirement	Status
	Salmeterol xinafoate and fluticasone propionate powder for inhalation (沙美特羅替卡松吸入粉霧劑)	Chemical drug	Asthma and COPD	Collaboration with Celon Pharma	Bioequivalence tests and phase III clinical trials	Bioequivalence tests and phase III clinical trials
	Nifedipine controlled-release tablets (硝苯地平控釋片)(6)	Chemical drug	Hypertension, coronary heart disease, chronic stable angina	N/A	Bioequivalence tests	Generic drugs approval application filed
	Ferric carboxymaltose injection (羧基麥芽糖鐵注射劑)	Chemical drug	Iron-deficiency anemia	N/A	Bioequivalence tests	CMC

Notes:

(1) Please see "Business – Our Product Portfolio – Our Product Pipeline – Generic Product Pipeline – 1. Bevacizumab (貝伐珠單抗)."

(2) For lenvatinib mesilate capsules and palbociclib capsules, we are the second to apply for the generic drugs approval (category IV generic pharmaceutical) in China, according to Frost & Sullivan.

(3) We have obtained the ANDA approval for celecoxib capsules in the United States from the U.S. FDA.

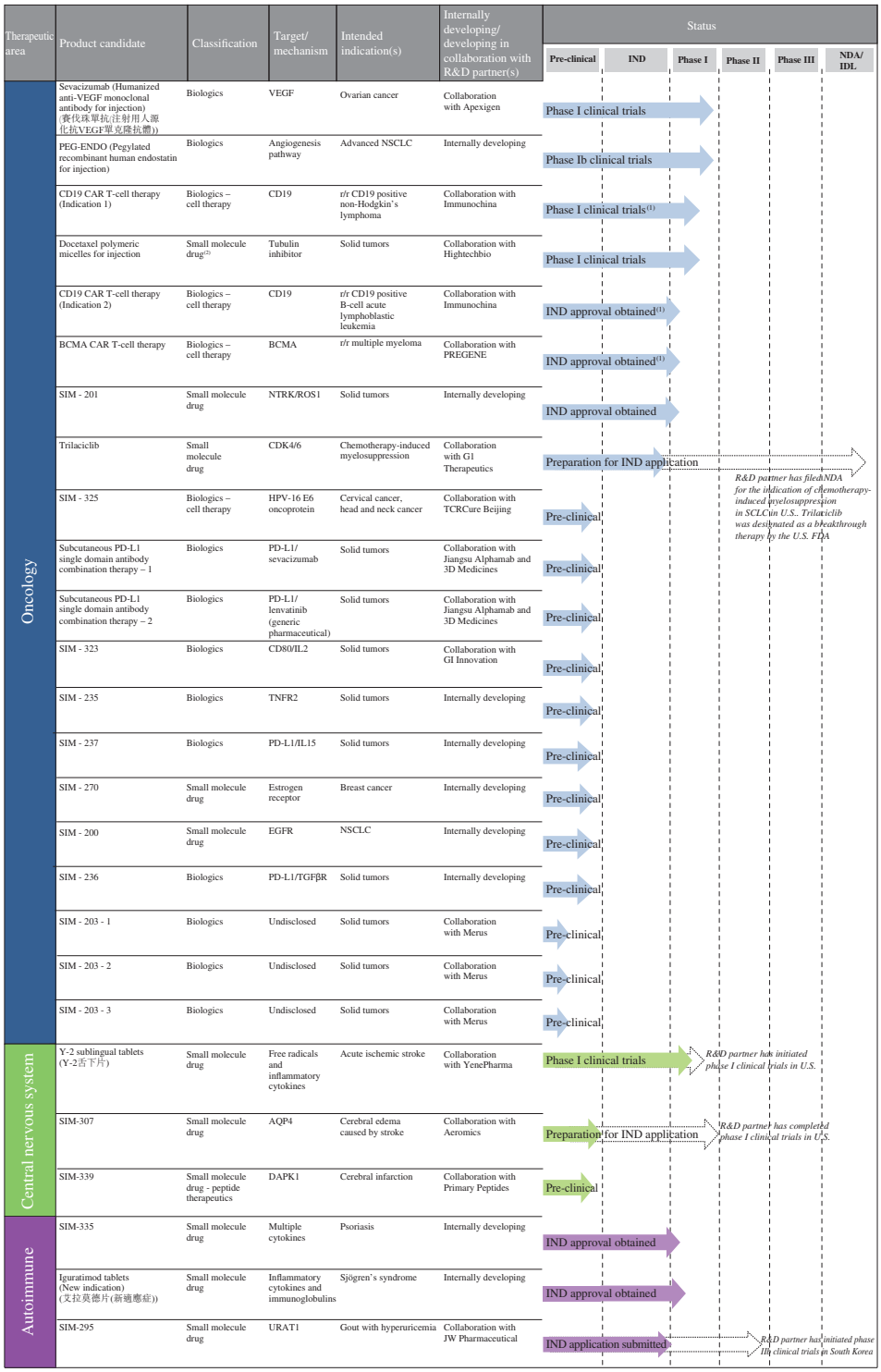
(4) We are the second to apply for the generic drugs approval (category III generic pharmaceutical) in China for apremilast tablets, according to Frost & Sullivan. Apremilast has been included in the "List of the Overseas New Drugs Urgently Needed in Clinical Settings" (《臨床急需境外新藥名單》).

(5) For cinacalcet hydrochloride tablets and sevelamer carbonate tablets, we are the third to apply for the generic drugs approval (category IV generic pharmaceutical) in China, according to Frost & Sullivan.

(6) We are the second to apply for the generic drugs approval (category IV generic pharmaceutical) for nifedipine controlled-release tablets, according to Frost & Sullivan, which utilize osmotic pump laser-beam drilling technology.

Innovative Product Pipeline

As of the Latest Practicable Date, we had a pipeline of nearly 50 innovative product candidates in different stages of development which we are either internally developing or developing in collaboration with R&D partners. The following table sets forth selected information of our key innovative product candidates:



Therapeutic area	Product candidate	Classification	Target/ mechanism	Intended indication(s)	Internally developing/ developing in collaboration with R&D partner(s)	Status
Oncology	Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection) (賽伐珠單抗注射用人源化抗VEGF單克隆抗體))	Biologics	VEGF	Ovarian cancer	Collaboration with Apexigen	Phase I clinical trials
Oncology	PEG-ENDO (Pegylated recombinant human endostatin for injection)	Biologics	Angiogenesis pathway	Advanced NSCLC	Internally developing	Phase Ib clinical trials
Oncology	CD19 CAR T-cell therapy (Indication 1)	Biologics – cell therapy	CD19	r/r CD19 positive non-Hodgkin's lymphoma	Collaboration with Immunochina	Phase I clinical trials(1)
Oncology	Docetaxel polymeric micelles for injection	Small molecule drug(2)	Tubulin inhibitor	Solid tumors	Collaboration with Hightechbio	Phase I clinical trials
Oncology	CD19 CAR T-cell therapy (Indication 2)	Biologics – cell therapy	CD19	r/r CD19 positive B-cell acute lymphoblastic leukemia	Collaboration with Immunochina	IND approval obtained(1)
Oncology	BCMA CAR T-cell therapy	Biologics – cell therapy	BCMA	r/r multiple myeloma	Collaboration with PREGENE	IND approval obtained(1)
Oncology	SIM - 201	Small molecule drug	NTRK/ROS1	Solid tumors	Internally developing	IND approval obtained
Oncology	Trilaciclib	Small molecule drug	CDK4/6	Chemotherapy-induced myelosuppression	Collaboration with G1 Therapeutics	Preparation for IND application; *R&D partner has filed NDA for the indication of chemotherapy-induced myelosuppression in SCLC in U.S.. Trilaciclib was designated as a breakthrough therapy by the U.S. FDA*
Oncology	SIM - 325	Biologics – cell therapy	HPV-16 E6 oncoprotein	Cervical cancer, head and neck cancer	Collaboration with TCRCure Beijing	Pre-clinical
Oncology	Subcutaneous PD-L1 single domain antibody combination therapy – 1	Biologics	PD-L1/ sevacizumab	Solid tumors	Collaboration with Jiangsu Alphamab and 3D Medicines	Pre-clinical
Oncology	Subcutaneous PD-L1 single domain antibody combination therapy – 2	Biologics	PD-L1/ lenvatinib (generic pharmaceutical)	Solid tumors	Collaboration with Jiangsu Alphamab and 3D Medicines	Pre-clinical
Oncology	SIM - 323	Biologics	CD80/IL2	Solid tumors	Collaboration with GI Innovation	Pre-clinical
Oncology	SIM - 235	Biologics	TNFR2	Solid tumors	Internally developing	Pre-clinical
Oncology	SIM - 237	Biologics	PD-L1/IL15	Solid tumors	Internally developing	Pre-clinical
Oncology	SIM - 270	Small molecule drug	Estrogen receptor	Breast cancer	Internally developing	Pre-clinical
Oncology	SIM - 200	Small molecule drug	EGFR	NSCLC	Internally developing	Pre-clinical
Oncology	SIM - 236	Biologics	PD-L1/TGFβR	Solid tumors	Internally developing	Pre-clinical
Oncology	SIM - 203 - 1	Biologics	Undisclosed	Solid tumors	Collaboration with Merus	Pre-clinical
Oncology	SIM - 203 - 2	Biologics	Undisclosed	Solid tumors	Collaboration with Merus	Pre-clinical
Oncology	SIM - 203 - 3	Biologics	Undisclosed	Solid tumors	Collaboration with Merus	Pre-clinical
Central nervous system	Y-2 sublingual tablets (Y-2舌下片)	Small molecule drug	Free radicals and inflammatory cytokines	Acute ischemic stroke	Collaboration with YenePharma	Phase I clinical trials; *R&D partner has initiated phase I clinical trials in U.S.*
Central nervous system	SIM-307	Small molecule drug	AQP4	Cerebral edema caused by stroke	Collaboration with Aeromics	Preparation for IND application; *R&D partner has completed phase I clinical trials in U.S.*
Central nervous system	SIM-339	Small molecule drug - peptide therapeutics	DAPK1	Cerebral infarction	Collaboration with Primary Peptides	Pre-clinical
Autoimmune	SIM-335	Small molecule drug	Multiple cytokines	Psoriasis	Internally developing	IND approval obtained
Autoimmune	Iguratimod tablets (New indication) (艾拉莫德片(新適應症))	Small molecule drug	Inflammatory cytokines and immunoglobulins	Sjögren's syndrome	Internally developing	IND approval obtained
Autoimmune	SIM-295	Small molecule drug	URAT1	Gout with hyperuricemia	Collaboration with JW Pharmaceutical	IND application submitted; *R&D partner has initiated phase IIb clinical trials in South Korea*

Notes:

(1) Phase II clinical trials could be used as the pivotal trials for NDA submission.

(2) Docetaxel polymeric micelles for injection is classified as a new formulation drug.

Please see "Business – Our Product Portfolio – Our Product Pipeline – Generic Product Pipeline" and "Business – Our Product Portfolio – Our Product Pipeline – Innovative Product Pipeline" for more details about our selected generic pharmaceutical and biosimilar candidates and key innovative product candidates.

MAJOR RECENT REGULATORY REFORMS

There have been a number of major regulatory reforms affecting the pharmaceutical industry in China in recent years, including (i) the dynamic adjustment of the NRDL, with its latest version came into force on January 1, 2020, from which our Bicun was excluded; (ii) the issuance of the "First Batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products)" (《第一批國家重點監控合理用藥藥品目錄(化藥和生物製品)》) (the **"Control List**") in June 2019, which requires medical institutions to strictly monitor and control the clinical use of 20 key monitored pharmaceuticals included in the Control List. Bicun was included in the Control List; (iii) the launch of multiple centralized volume-based drug procurement schemes since November 2018; and (iv) the gradual implementation of "dual invoicing system" across China since early 2017. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry" and "Business – Major Recent Regulatory Reforms" for more details. These major recent regulatory reforms had an adverse impact on sales of certain of our major products, including Endostar, Jiebaili, Bicun and Softan. Please see "Business – Major Recent Regulatory Reforms – Impacts of Major Recent Regulatory Reforms – Impacts on Sales of Our Major Products" for more details. However, we do not expect these major recent regulatory reforms to have a further material adverse impact on our business operations and financial performance in the near future.

OUR SUPPLIERS AND CUSTOMERS

Our Suppliers

Our suppliers primarily include (i) suppliers for the raw materials of our pharmaceutical products; and (ii) manufacturers of third-party pharmaceutical products. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers collectively accounted for approximately 42.5%, 42.7%, 39.4% and 36.2% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for approximately 14.6%, 19.0%, 15.7% and 20.4% of our total purchases during the same periods, respectively. Our five largest suppliers during the Track Record Period comprise raw material suppliers and manufacturers of third-party pharmaceutical products. Except for Jiangsu Simcare Pharmaceutical, all of our five largest suppliers during the Track Record Period are Independent Third Parties. We have had relationships with our five largest suppliers for four to 24 years as of the Latest Practicable Date. To the best of the knowledge of our Directors, except for Jiangsu Simcare Pharmaceutical, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

Our Customers

Our customers primarily consist of (i) our distributors and pharmacy chains which directly purchase pharmaceutical products from us; and (ii) other pharmaceutical manufacturers to which we provide promotion services. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, sales to our five largest customers collectively accounted for approximately 14.0%, 12.8%, 9.9% and 10.5% of our total revenue during the same periods, respectively, and sales to our largest customer accounted for approximately 5.4%, 5.4%, 2.6% and 2.4% of our total revenue during the same periods, respectively. Our five largest customers during the Track Record Period comprise our distributors.

All of our five largest customers during the Track Record Period are Independent Third Parties. We have had relationships with our five largest customers for five to 22 years as of the Latest Practicable Date. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

Our Distributorship Model

We sell our products and third-party products primarily to distributors, which distribute such products to hospitals, other medical institutions and pharmacies in China. To a lesser extent, we also sell our products and third-party products directly to large-scale national or regional pharmacy chains in China. During the Track Record Period, revenue derived from sales to distributors accounted for 93.2%, 91.1%, 90.8% and 86.8%, respectively, of our total revenue from sales of pharmaceuticals for the same periods, while revenue derived from our direct sales accounted for 6.8%, 8.9%, 9.2% and 13.2%, respectively, of our total revenue from sales of pharmaceuticals for the same periods. To the best knowledge of our Directors, during the Track Record Period, all of our distributors were Independent Third Parties, and none of our distributors were wholly-owned or majority controlled by our current or ex-employees. In addition, to the best knowledge of our Directors, there is no other relationship or arrangement (including family, business, financing, guarantee or otherwise in the past or present) between the distributors engaged by us during the Track Record Period and us.

The following table sets forth the movement of the number of our distributors for the periods indicated below:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Number of distributors at the beginning of the period	492	722	827	750
Addition of new distributors	352	263	146	69
Termination of existing distributors	122	158	223	203
Net increase/(decrease) in distributors	230	105	(77)	(134)
Number of distributors at the end of the period	722	827	750	616

Please see "Business – Sales, Marketing and Distribution – Distributors" for more details about our distributorship model.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Offer Shares. Some of the major risks that we face include:

- If our products are excluded or removed from national, provincial or other government-sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be materially and adversely affected.

- The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease, which could materially and adversely affect our profitability.

- If we are unable to succeed in tender processes to sell our products to PRC public hospitals and other medical institutions, we may lose market share and our revenue and profitability could be materially and adversely affected.

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

- If we or our business partners fail to maintain the necessary licenses for the development, production, promotion, sales and distribution of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.

- We are dependent on sales of a limited number of major products. If we are unable to maintain the sales volumes, pricing levels and profit margins of our major products, our revenues and profitability could be adversely affected.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Ultimate Controlling Shareholders, directly and indirectly, through SPHL, Artking, FFI, Simcere Holding and Simcere Investments, collectively held and were entitled to exercise the voting rights attaching to approximately 86.82% of the total issued share capital of our Company. Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Ultimate Controlling Shareholders, directly and indirectly, through SPHL, Artking, FFI, Simcere Holding and Simcere Investments, will be collectively entitled to exercise the voting rights attaching to approximately 78.13% of the enlarged total issued share capital of our Company. Therefore, our Ultimate Controlling Shareholders, together with SPHL, Artking, FFI, Simcere Holding and Simcere Investments, will continue to be a group of our Controlling Shareholders after the Listing. For more details, please see "Relationship with Our Controlling Shareholders."

PRE-IPO INVESTORS

Several Pre-IPO Investors, including Premier Praise, King View, Fosun Industrial, Palace Investments, InnoPharma, CNCB HK and CNCB SPC (acting on behalf of CNCB Investment) were introduced to became the shareholders of our Group. For more details, please see "History, Reorganization and Corporate Structure – Pre-IPO Investments."

CONTRACTUAL ARRANGEMENTS

Our Group engages in the R&D of CAR T-cell therapy and T cell receptor-engineered T cell therapy, or TCR T-cell therapy. Such businesses carried out by Shanghai Xianbo are subject to foreign investment prohibitions under the PRC laws and regulations, and thus, we cannot directly or indirectly hold any equity interest in Shanghai Xianbo. On April 30, 2020, we, through our wholly-owned subsidiary, Shanghai Xianjing, entered into the Contractual Arrangements with Shanghai Xianbo, our Consolidated Affiliated Entity, and its Registered Shareholders, pursuant to which Shanghai Xianjing acquired effective control over the financial and operational policies of Shanghai Xianbo and has become entitled to all the economic benefits derived from its operations. Please see "Contractual Arrangements" for more details.

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 Accountants' Report set out in Appendix I to this prospectus.

Summary of Consolidated Statements of Profit or Loss

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Revenue	3,867,908	4,514,204	5,036,658	2,414,023	1,925,413
Cost of sales	(586,301)	(771,195)	(888,486)	(428,429)	(388,130)
Gross profit	3,281,607	3,743,009	4,148,172	1,985,594	1,537,283
Other revenue	70,351	67,538	91,507	40,719	43,072
Other net (loss)/gain	(175,939)	90,501	15,941	10,271	(6,447)
Research and development costs	(212,309)	(447,148)	(716,412)	(252,532)	(454,091)
Selling and distribution expenses	(2,155,662)	(2,221,757)	(2,016,222)	(1,036,868)	(628,502)
Administrative and other operating expenses	(277,469)	(290,202)	(351,676)	(155,599)	(193,464)
Profit from operations	530,579	941,941	1,171,310	591,585	297,851
Finance income	25,146	36,253	34,724	24,889	10,851
Finance costs	(58,441)	(47,534)	(115,955)	(64,812)	(79,576)
Net finance costs	(33,295)	(11,281)	(81,231)	(39,923)	(68,725)
Share of losses of associates	–	(1,616)	(8,129)	(1,518)	(4,353)
Share of losses of a joint venture	–	–	(135)	–	(40)
Profit before taxation	497,284	929,044	1,081,815	550,144	224,733
Income tax	(146,872)	(195,357)	(78,191)	(89,136)	(39,898)
Profit for the year/period	350,412	733,687	1,003,624	461,008	184,835
Attributable to:					
Equity shareholders of the Company	350,409	733,687	1,003,624	461,008	185,518
Non-controlling interest	3	–	–	–	(683)

Revenue

Revenue by Businesses

The following table sets forth our revenue by businesses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Sales of pharmaceutical products[(1)]	3,836,979	99.2	4,309,148	95.5	4,800,323	95.3	2,283,550	94.6	1,803,398	93.7
Promotion service income	30,929	0.8	205,056	4.5	236,335	4.7	130,473	5.4	122,015	6.3
Total	3,867,908	100.0	4,514,204	100.0	5,036,658	100.0	2,414,023	100.0	1,925,413	100.0

Note:

(1) Revenue generated from sales of pharmaceutical products comprises revenue generated from the sales of our own pharmaceutical products and sales of third-party pharmaceutical products. Revenue generated from sales of third-party pharmaceutical products amounted to RMB358.7 million, RMB327.1 million, RMB376.4 million, RMB165.1 million and RMB200.5 million, respectively, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

Revenue by Therapeutic Areas

The following table sets forth a breakdown of our revenue from sales of pharmaceutical products by therapeutic areas for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Oncology products	1,004,855	26.2	1,279,801	29.7	1,568,853	32.7	660,902	28.9	537,638	29.8
Central nervous system products	1,276,142	33.3	1,202,008	27.9	936,869	19.5	572,780	25.1	178,011	9.9
Autoimmune products	423,219	11.0	537,849	12.5	813,786	17.0	329,243	14.4	536,976	29.8
Cardiovascular products	243,432	6.3	353,082	8.2	445,468	9.3	216,008	9.5	181,894	10.1
Anti-infective products	564,699	14.7	579,476	13.4	635,719	13.2	305,933	13.4	211,165	11.7
Others[(1)]	324,632	8.5	356,932	8.3	399,628	8.3	198,684	8.7	157,714	8.7
Total	3,836,979	100.0	4,309,148	100.0	4,800,323	100.0	2,283,550	100.0	1,803,398	100.0

Note:

(1) Including pharmaceutical products for the treatment of other diseases, APIs and other healthcare products.

Revenue by Major Products

The following table sets forth the sales of our major products in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
Endostar	669,662	17.3	856,830	19.0	1,136,547	22.6	457,484	19.0	388,588	20.2
Bicun	1,244,176	32.2	1,198,595	26.6	936,901	18.6	572,788	23.7	178,020	9.2
Iremod	159,025	4.1	291,687	6.5	520,157	10.3	203,828	8.4	389,514	20.2
Softan	179,152	4.6	277,666	6.2	334,852	6.6	166,916	6.9	121,644	6.3
Yingtaiqing[(1)]	261,533	6.8	242,832	5.4	289,912	5.8	123,681	5.1	146,155	7.6
Newanti	257,138	6.6	258,184	5.7	283,907	5.6	136,851	5.7	99,924	5.2
ZAILIN	189,163	4.9	187,427	4.2	199,706	4.0	93,945	3.9	54,586	2.8
Jepaso	132,909	3.4	162,361	3.6	173,104	3.4	79,044	3.3	66,240	3.4
Sinofuan	116,582	3.0	115,710	2.6	128,265	2.5	54,283	2.2	57,528	3.0
Jiebaili	85,664	2.2	144,833	3.2	127,033	2.5	70,090	2.9	18,371	1.0
Total major products	3,295,004	85.1	3,736,125	83.0	4,130,384	81.9	1,958,910	81.1	1,520,570	78.9

Note:

(1) Including sales of Yingtaiqing-branded diclofenac sodium sustained-release capsules sourced from CPU Pharma as well as Yingtaiqing-branded diclofenac sodium sustained-release capsules and Yingtaiqing-branded diclofenac sodium gel manufactured by us.

Our revenue from sales of pharmaceutical products increased by 12.3% from RMB3,837.0 million in 2017 to RMB4,309.1 million in 2018, primarily due to increases in revenue from sales of oncology, autoimmune and cardiovascular products. Such increases were primarily driven by increased revenue from sales of Endostar, Iremod and Softan, which was mainly due to their increased sales volumes. Our revenue from sales of pharmaceutical products increased by 11.4% from RMB4,309.1 million in 2018 to RMB4,800.3 million in 2019, primarily due to increases in revenue from sales of oncology, autoimmune, cardiovascular and anti-infective products, which was offset by a decrease in revenue from sales of central nervous system products. Increases in our revenue from sales of oncology, autoimmune and cardiovascular products were primarily driven by increased revenue from sales of Endostar, Iremod and Softan, which was mainly due to their increased sales volumes. The increase in our revenue from sales of anti-infective products was primarily driven by increased revenue from sales of Newanti and ZAILIN. The decrease in our revenue from sales of central nervous system products was primarily driven by decreased revenue from sales of Bicun as a result of its decreased sales volume due to its inclusion in the Control List. Our revenue from sales of pharmaceutical products decreased by 21.0% from RMB2,283.6 million

for the six months ended June 30, 2019 to RMB1,803.4 million for the six months ended June 30, 2020, primarily due to decreases in revenue from sales of oncology, central nervous system, cardiovascular and anti-infective products, mainly driven by (i) decreased pricing level of Endostar as a result of the national medical insurance pricing negotiation process for renewing its inclusion in the NRDL, the latest version of which came into force on January 1, 2020; and (ii) decreased sales volume of Bicun as a result of its exclusion from the latest version of the NRDL; (iii) decreased sale volumes of Jiebaili and Softan as Softan did not win in the bidding processes under the centralized volume-based drug procurement schemes, while Jiebaili was ineligible for bidding because it had yet to pass the consistency evaluation; and (iv) decreased sales volumes of Newanti and ZAILIN caused by the COVID-19 outbreak. The increase in our revenue from sales of autoimmune products was primarily driven by increased revenue from sales of Iremod as a result of its increased sales volume.

Our promotion service income increased significantly from 2017 to 2018, primarily due to the gradual implementation of the "dual invoicing system" across China from early 2017, which is aimed at eliminating the multi-tiered distribution of pharmaceutical products by allowing a maximum of two invoices between a manufacturer and a public medical institution and currently applies to the sales of all pharmaceutical products to public medical institutions in all provinces, municipalities and autonomous regions in China. As a result, we have gradually ceased to purchase products from third-party pharmaceutical companies for subsequent on-selling and distribution to medical institutions through our distributors, due to the existence of more than two invoices under such sales model. Instead, we provide promotion services in respect of third-party pharmaceutical products distributed to medical institutions. Our promotion service income further increased from 2018 to 2019, primarily due to increased revenue from promoting OLMETEC PLUS developed and manufactured by Daiichi Sankyo, which was mainly attributable to the increased market share of such product. Our promotion service income decreased from the six months ended June 30, 2019 to the six months ended June 30, 2020, primarily due to the decrease in demand for certain third-party pharmaceutical products caused by the COVID-19 outbreak.

Please see "Financial Information – Period to Period Comparison of Results of Operations" for more details.

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Gross profit margin represents gross profit divided by total revenue, expressed as percentage. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gross profit was RMB3,281.6 million, RMB3,743.0 million, RMB4,148.2 million and RMB1,537.3 million, respectively, and our gross profit margin was 84.8%, 82.9%, 82.4% and 79.8%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross Profit	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*
	(RMB'000, except percentages)						*(Unaudited)*			
Sales of pharmaceutical products	3,274,719	85.3%	3,684,878	85.5%	4,074,523	84.9%	1,946,404	85.2%	1,494,640	82.9%
Promotion services	6,888	22.3%	58,131	28.3%	73,649	31.2%	39,190	30.0%	42,643	34.9%
Total	3,281,607	84.8%	3,743,009	82.9%	4,148,172	82.4%	1,985,594	82.3%	1,537,283	79.8%

Our gross profit margin decreased from 84.8% in 2017 to 82.9% in 2018 and remained relatively stable at 82.9% in 2018 and 82.4% in 2019. The decrease from 2017 to 2018 was due to a higher proportion of revenue generated from promotion services, whose gross profit margin was lower than the gross profit margin of sales of pharmaceutical products. Our gross profit margin decreased from 82.3% for the six months ended June 30, 2019 to 79.8% for the six months ended June 30, 2020, primarily due to a decrease in the gross profit margin of sales of pharmaceutical products which was mainly attributable to (i) a lower proportion of sales of Bicun, a high gross profit margin product; and (ii) the decreased pricing level of Endostar. Please see "Financial Information – Period to Period Comparison of Results of Operations" for more details.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Total current assets	2,784,021	3,665,628	2,897,641	3,605,949
Total non-current assets	2,410,997	2,672,707	3,869,229	4,146,689
Total current liabilities	2,531,791	4,111,400	3,428,505	3,863,131
Total non-current liabilities	882,074	661,801	1,857,901	2,030,691
Total assets	5,195,018	6,338,335	6,766,870	7,752,638
Net current assets/(liabilities)	252,230	(445,772)	(530,864)	(257,182)
Total assets less current liabilities	2,663,227	2,226,935	3,338,365	3,889,507
Net assets	1,781,153	1,565,134	1,480,464	1,858,816
Attributable to:				
Equity shareholders of the Company	1,779,150	1,565,134	1,480,464	1,820,317
Non-controlling interest	2,003	–	–	38,499

Our net assets decreased by 12.1% from RMB1,781.2 million as of December 31, 2017 to RMB1,565.1 million as of December 31, 2018, and further decreased by 5.4% to RMB1,480.5 million as of December 31, 2019, primarily because we declared dividends in 2018 and 2019. Our net assets increased by 25.6% from RMB1,480.5 million as of December 31, 2019 to RMB1,858.8 million as of June 30, 2020, primarily because in the first half of 2020, (i) we did not declare any dividends, and (ii) we recorded net fair value gains on our financial assets at fair value through other comprehensive income.

We recorded net current liabilities of RMB445.8 million, RMB530.9 million and RMB257.2 million as of December 31, 2018 and 2019 and June 30, 2020, primarily due to our high level of current portion of bank loans of RMB1,979.3 million, RMB1,644.0 million and RMB2,279.2 million as of the same dates, respectively. We plan to further improve our net current liabilities position through (i) cash generated from our business operations, (ii) net proceeds from the Global Offering and (iii) debt restructuring to reduce the percentage of short-term bank loans.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
			(RMB'000)		
				(Unaudited)	
Operating profit before changes in working capital	817,604	985,937	1,328,540	653,722	414,050
Changes in working capital	244,946	(55,437)	(290,880)	190,821	(498,433)
Tax paid	(123,474)	(154,683)	(264,857)	(190,191)	(143,275)
Net cash generated from/(used in) operating activities	939,076	775,817	772,803	654,352	(227,658)
Net cash used in/generated from investing activities	(508,390)	(472,401)	(592,928)	(200,954)	496,173
Net cash (used in)/generated from financing activities	(347,317)	311,285	(1,012,950)	(1,029,062)	(26,805)
Net increase/(decrease) in cash and cash equivalents	83,369	614,701	(833,075)	(575,664)	241,710
Cash and cash equivalents at the beginning of the year/period	489,333	572,584	1,187,647	1,187,647	354,804
Effect of foreign exchange rate changes	(118)	362	232	(246)	(598)
Cash and cash equivalents at the end of the year/period	572,584	1,187,647	354,804	611,737	595,916

Our operating cash outflow for the six months ended June 30, 2020 was primarily due to (i) a decrease in our sales; (ii) the prolonged settlement of trade receivables by our customers in light of the COVID-19 outbreak; and (iii) increased research and development costs to support our continued R&D efforts. We expect to improve our operating cash flow position through (i) increases in our sales and profitability (please see "Financial Information – Recent Developments on Our Financial Performance" for more details), which are expected to further enhance our operating efficiency and create greater economies of scale; and (ii) strengthening our credit management and collection efforts as the COVID-19 outbreak has been contained in China. Please see "Financial Information – Liquidity and Capital Resources – Cash Flows" for details of our cash flows.

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Profitability ratios				
Return on equity	21.3%	43.9%	65.9%	N/A
Return on total assets	7.5%	12.7%	15.3%	N/A

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Liquidity ratios				
Current ratio	1.10	0.89	0.85	0.93
Quick ratio	1.03	0.83	0.77	0.86
Capital adequacy ratio				
Gearing ratio	74.0%	148.1%	198.7%	201.1%

Please see "Financial Information – Key Financial Ratios" for descriptions of the calculation of and the reasons for fluctuations of the above ratios. Our gearing ratio increased during the Track Record Period, primarily due to increases in our total borrowings.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2020

We have prepared the following profit forecast for the year ending December 31, 2020.

Forecast consolidated profit attributable to equity shareholders of the Company[(1)]	Not less than RMB480 million (equivalent to HK$542 million)[(3)]
Unaudited pro forma forecast earnings per Share[(2)]	Not less than RMB0.18 (equivalent to HK$0.21)[(3)]

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2020 has been prepared are summarized in "Profit Forecast" in Appendix III to this prospectus. Our forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020 prepared by our Directors is based on (i) the audited consolidated financial information of our Group for the six months ended June 30, 2020; (ii) the unaudited consolidated results based on management accounts of our Group for the two months ended August 31, 2020; and (iii) a forecast of the consolidated results of our Group for the remaining four months ending December 31, 2020, in the absence of unforeseen circumstances. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in "Accountants' Report" as set out in Appendix I to this prospectus.

(2) The calculation of the unaudited pro forma forecast earnings per Share for the year ending December 31, 2020 is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020, assuming the Global Offering had been completed on January 1, 2020 and a total of 2,605,686,618 Shares were in issue during the entire year, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The forecast consolidated profit attributable to the equity shareholders of the Company and unaudited pro forma forecast earnings per Share in RMB are converted to Hong Kong dollars at the rate of HK$1.00 to RMB0.8852. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

RECENT DEVELOPMENTS

Outbreak of Novel Coronavirus Disease 2019

There has been an outbreak of an infectious disease caused by a novel coronavirus (the "**COVID-19**"). The disease quickly spread within the PRC and globally and materially and adversely affected the global economy.

Our Directors are of the view that the recent outbreak of COVID-19 worldwide has had the following impact on our business, results of operations and financial condition:

- ***Product sales***: The sales of our products, as well as third-party products we sell and/or promote, were adversely impacted. With the outbreak of COVID-19, many hospitals in China allocated significant resources to contain COVID-19, and patients suffering from other diseases generally avoided going to hospitals in order to prevent being infected. As a result, the demand for our products and third-party products we sourced from third-party pharmaceutical companies decreased and

some of our distributors reduced their purchases in response to the lowered demand. Meanwhile, pharmacies were not allowed to sell antibiotics, antipyretics and antitussives during the COVID-19 prevention and control period, which had an adverse impact on our sales of relevant products to pharmacy chains. Additionally, our marketing and promotion activities and those of our third-party promoters were postponed or cancelled due to traffic disruption or because the priority of many medical institutions and healthcare professionals became the treatment and containment of COVID-19. Consequently, the timing and the effectiveness of our marketing and promotion efforts as well as those of our third-party promoters were adversely affected. As of the Latest Practicable Date, our sales activities had resumed normal and our major direct customers and end customers had resumed normal and full operations.

- ***Production***: As required by the competent authorities in the PRC, we postponed the resumption of operations of certain production facilities. Such production suspension lasted for a few days but less than one month, with no material adverse impact on our performance of obligations contemplated under the agreements between our customers and us. The delay in resuming operations after the Chinese New Year holiday and the self-quarantine of certain employees had resulted in a decrease of production volume as compared to the originally planned production volume for 2020. However, production workers in certain of our production workshops continued to work overtime during the Chinese New Year holiday to manufacture certain of our antivirals. As of the Latest Practicable Date, all of our production facilities had resumed normal and full operations.

- ***Supply chain***: We encountered temporary shortage of raw materials essential for production of certain of our products due to the outbreak of COVID-19. However, our procurement department managed to secure the supply of such raw materials with no material extra cost incurred. Therefore, such temporary shortage did not have a material adverse impact on production of our products. As of the Latest Practicable Date, all of our suppliers had resumed normal operations.

- ***Research and development***: Our research and development teams in Nanjing, Shanghai and Boston have already resumed working, however, there were slight delays in conducting certain studies. In addition, the continuance of COVID-19 outside of China have led to delays in research and development progress of our overseas collaboration partners. Despite such delays, COVID-19 outbreak did not have any material adverse impact on research and development progress of our product candidates.

- ***Clinical trials***: We were conducting clinical trials for PEG-ENDO pegylated recombinant human endostatin for injection, Y-2 sublingual tablets and salmeterol xinafoate and fluticasone propionate powder for inhalation at the time of COVID-19 outbreak. To the knowledge of our Directors, due to the outbreak of COVID-19, the patient recruitment and enrollment process as well as clinical trials of such three

product candidates were delayed as compared to the original schedule. However, such delays did not have a material adverse impact on our clinical research. With the containment of COVID-19 in China, the clinical research of our product candidates has resumed as normal. In addition, the outbreak of COVID-19 had limited impact on our product candidates pending initiation of clinical trials. The research and development of such product candidates have been moving forward as planned. Please see "Business – Our Product Portfolio – Our Product Pipeline – Generic Product Pipeline" and "Business – Our Product Portfolio – Our Product Pipeline – Innovative Product Pipeline" for detailed research and development status of our selected generic pharmaceutical and biosimilar candidates and key innovative product candidates, which have taken into account the impact of COVID-19 outbreak.

- ***Product registration***: To the knowledge of our Directors, after the outbreak of COVID-19, the NMPA allocated a significant portion of its resources to evaluate and register products that may benefit the prevention and treatment of COVID-19, and the evaluation process for other pharmaceuticals, including our product candidates, was delayed. However, such delay did not have any material adverse impact on the evaluation and registration of our product candidates. To the knowledge of our Directors, the NMPA resumed normal operations in April 2020. With the containment of COVID-19 in China, the evaluation and registration of our product candidates have resumed as normal.

- ***Operations***: We adopted a strict disease prevention scheme to reduce the risk of our employees from infection of COVID-19. The measures implemented include, among others, sterilizing our workplaces twice a day, ventilating our workplaces, requiring employees to return to work in batches, segmenting lunch time, monitoring the body temperature of employees twice a day, and keeping track of the travel history and health of employees and their immediate family members. As of the Latest Practicable Date, all of our employees had returned to work.

The COVID-19 outbreak had an adverse impact on the overall pharmaceutical market in China due to a decrease in patient visits of medical institutions. According to Frost & Sullivan, total outpatient visits of medical institutions in China decreased by 26.1% from 2,750.2 million for the four months ended April 30, 2019 to 2,033.7 million for the four months ended April 30, 2020, while total inpatient visits of medical institutions in China decreased by 21.8% from 84.7 million for the four months ended April 30, 2019 to 66.2 million for the four months ended April 30, 2020. Specifically, among our major products, Endostar, Jepaso, Jiebaili, Sinofuan, Bicun and Newanti are injectables or implants, which, unlike oral preparations, require precise administration by qualified healthcare professionals in medical institutions. Due to the decrease in patient visits of medical institutions resulting from the COVID-19 outbreak, the demand for, as well as the sales of, certain of our relevant major products were adversely affected.

In addition to the adverse impact on our revenue and net profit for the six months ended June 30, 2020 (please see "– Recent Developments on Our Financial Performance" and "Financial Information – Recent Developments on Our Financial Performance"), certain other profit and loss and financial position items for the six months ended and as of June 30, 2020 were affected by the COVID-19 outbreak, including a decrease in our selling and distribution expenses and an increase in trade and bills receivables together with increased trade receivables turnover days. Please see "Financial Information – Description of Key Statements of Profit or Loss Items – Selling and Distribution Expenses" and "Financial Information – Certain Balance Sheet Items – Trade and Bills Receivables" for more details. The COVID-19 outbreak also contributed to our operating cash outflow position for the six months ended June 30, 2020. Please see "Financial Information – Liquidity and Capital Resources – Cash Flows" for more details.

The COVID-19 outbreak has been contained in China since April 2020 due to strict government control measures and the number of patient visits of medical institutions in China has been recovering. According to Frost & Sullivan, total outpatient visits of medical institutions in China decreased by 13.1% from 1,420.1 million for the two months ended June 30, 2019 to 1,234.0 million for the two months ended June 30, 2020, while total inpatient visits of medical institutions in China decreased by 6.2% from 42.5 million for the two months ended June 30, 2019 to 39.8 million for the two months ended June 30, 2020. We recorded a slight increase in total revenue generated from sales of our major products (other than Bicun) for the four months ended August 31, 2020, compared to that for the four months ended August 31, 2019.

However, in the worst case scenario, assuming that (i) there will be no other sources of funding except for capital resources of RMB2,577.2 million on hand, consisting of cash and cash equivalents of RMB595.9 million, financial assets at fair value through profit or loss and other comprehensive income of RMB1,133.3 million and unutilized credit facilities of RMB848.0 million (excluding certain unutilized facilities conditionally granted upon the pledge of deposits or bank acceptance bills) as of June 30, 2020; net cash flows from our current operating assets and liabilities as of June 30, 2020, taking into consideration of prudent estimates of settlement of trade receivables and trade payables based on historical settlement pattern; and 10% of the net proceeds from the Global Offering based on the low-end of the Offer Price range to be used for working capital and general corporate purposes, and (ii) we will only keep our current general operation employees and incur fixed administrative costs, we expect to be able to maintain financial viability for at least next 22 months from June 30, 2020.

Major Developments on Our Product Portfolio

In February and May 2020, we applied for generic drugs approvals in China for three of our selected generic pharmaceuticals, namely, palbociclib capsules, apremilast tablets and nifedipine controlled-release tablets. Please see "Business – Our Product Portfolio – Our Product Pipeline – Generic Product Pipeline" for more details.

We entered into collaboration agreements with Jiangsu Alphamab and 3D Medicines in March 2020, which have granted us an exclusive right to promote KN035, potentially the first subcutaneously injectable anti-PD-L1 monoclonal antibody worldwide, according to Frost & Sullivan, for all oncology indications in China. Our collaboration partners are currently conducting phase II clinical trials of KN035 for deficient mismatch repair/microsatellite instability-high, or dMMR/MSI-H, colorectal carcinoma and other advanced solid tumors and phase III clinical trials for advanced biliary tract cancer, or BTC, in mainland China as well as phase I clinical trials in the United States and Japan. Please see "Business – Our Collaboration Arrangements" for more details.

We have entered into collaboration agreements with certain collaboration partners in February and March 2020, as amended in May 2020, pursuant to which, we are collaborating with such collaboration partners on the development and commercialization of three CAR T-cell therapy candidates. We have obtained the IND approvals for such three CAR T-cell therapy candidates. Please see "Business – Our Product Portfolio – Our Product Pipeline – Innovative Product Pipeline – Oncology Product Candidates – 3. CD19 CAR T-cell Therapies" and "Business – Our Product Portfolio – Our Product Pipeline – Innovative Product Pipeline – Oncology Product Candidates – 4. BCMA CAR T-cell Therapy" for more details.

In May 2020, our Nanjing facility has successfully passed the NMPA on-site inspection for the purpose of reviewing the NDA for our edaravone and dexborneol concentrated solution for injection. In July 2020, our Sanbexin (edaravone and dexborneol concentrated solution for injection) obtained the NDA approval.

In August 2020, we entered into an exclusive license agreement with G1 Therapeutics for the development and commercialization of trilaciclib, an investigational therapy designed to improve prognosis of cancer patients treated with chemotherapy, in the Greater China. Please see "Business – Our Product Portfolio – Our Product Pipeline – Innovative Product Pipeline" for more details.

In August 2020, we launched Orencia (abatacept injection) in China. Please see "Business – Our Product Portfolio – Our Existing Product Portfolio – Autoimmune Products – Orencia® (abatacept injection) 恩瑞舒®(阿巴西普注射液)" for more details. In the same month, we launched Sanbexin (edaravone and dexborneol concentrated solution for injection) in China. Please see "Business – Our Product Portfolio – Our Existing Product Portfolio – Central Nervous System Products – Sanbexin™ (edaravone and dexborneol concentrated solution for injection) 先必新®(依達拉奉右莰醇注射用濃溶液)" for more details. We expect that with

Orencia and Sanbexin, along with our robust pipeline of nearly 50 innovative product candidates in different stages of development, we are better positioned to compete in the pharmaceutical market in China on the basis of the following:

- ***Favorable government policies:*** In recent years, the PRC government has promulgated a series of favorable policies on, including, among others, accelerated drug evaluation and approval processes and more flexible adjustment for inclusion in the NRDL, to encourage the research and development, launch as well as sales of innovative pharmaceuticals;

- ***Significant commercialization potential:*** We have strategically focused on development of innovative product candidates which have the potential to address unmet medical needs and/or offer more effective treatment therapies to patients. Therefore, we expect to benefit from the significant commercialization potential brought by such innovative pharmaceuticals upon their launch; and

- ***High profit margins:*** We believe innovative pharmaceuticals are generally subject to more limited competition and relatively lower pricing pressure in centralized tender processes, thereby allowing us to command higher profit margins.

Recent Developments on Our Financial Performance

Our revenue and net profit decreased significantly in the six months ended June 30, 2020 compared to that of the same period in 2019, and we expect to record decreases in revenue and net profit for the year ending December 31, 2020 as compared to those for the year ended December 31, 2019. We currently expect the consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020 to be not less than RMB480 million. Please see "Appendix III – Profit Forecast." These decreases were primarily due to (i) the outbreak of COVID-19 which resulted in a decrease in demand for pharmaceutical products in general, according to Frost & Sullivan; (ii) a decrease in sales of Bicun as a result of its exclusion from the latest version of the NRDL which came into force on January 1, 2020; (iii) an increase in research and development costs to support our continued R&D efforts; (iv) a decrease in sales of Endostar as a result of the decrease in its pricing level attributable to the national medical insurance pricing negotiation process for renewing its inclusion in the latest version of the NRDL; and (v) a decrease in sales of Softan and Jiebaili as Softan did not win in the bidding processes under the centralized volume-based drug procurement schemes, while Jiebaili was ineligible for bidding because it had yet to pass the consistency evaluation. We believe that we will be able to mitigate the above-mentioned deteriorating financial performance and downward pressure on our profitability in the near future because (i) we expect our revenue contribution from innovative drugs to further increase; (ii) we also expect to launch a number of generic drug candidates in the next few years; (iii) we currently do not anticipate a further material adverse impact on our financial performance brought by the major recent regulatory reforms; and (iv) our financial performance in 2020 is affected by certain matters which are non-recurring in nature. Please see "Financial Information – Recent Developments on Our Financial Performance" for more details.

Our Directors confirm that, other than as stated above, up to the date of this prospectus, (i) there has been no material adverse change in our financial or trading position since June 30, 2020; and (ii) there has been no material adverse change in our business, the industry in which we operate and/or market or regulatory environment to which we are subject.

POST-TRACK RECORD PERIOD ACQUISITION

Minority Investment in TCRCure Companies

On December 31, 2018, an investment agreement was entered into among TCRCure Beijing, TCRCure US, the then shareholders of TCRCure Beijing, Simcere Pharmaceutical and three other investors, pursuant to which Simcere Pharmaceutical agreed to invest in TCRCure Beijing and TCRCure US at an investment amount of RMB50,000,000. As of the Latest Practicable Date, such minority investment has not been completed. Please see "History, Reorganization and Corporate Structure – Post-Track Record Period Acquisition" for more details.

OFFERING STATISTICS

Offer size:	Initially approximately 10% of our total number of Offer Shares
Over-allotment Option:	Up to 15% of our initial Offer Shares
Offer Price per Offer Share:	HK$12.10 to HK$13.70 per Offer Share
Offering Structure:	Approximately 90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

	Based on an Offer Price of HK$12.10 per Offer Share	**Based on an Offer Price of HK$13.70 per Offer Share**
Market capitalization of Offer Shares	HK$3,152.9 million	HK$3,569.8 million
Market capitalization of our Shares upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	HK$31,528.8 million	HK$35,697.9 million
Unaudited pro forma adjusted net tangible assets per Offer Share[(1)]	HK$1.83	HK$1.99

Note:

(1) Please see "Appendix II – Unaudited Pro Forma Financial Information" for further details regarding the assumptions used and the calculations method.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisers, the Reporting Accountants and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB150.5 million (equivalent to HK$170.1 million), representing 5.06% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB17.3 million (equivalent to HK$19.6 million), of which approximately RMB13.9 million (equivalent to HK$15.7 million) was charged to the consolidated statements of profit or loss for the six months ended June 30, 2020 as administrative and other operating expenses and approximately RMB3.5 million (equivalent to HK$3.9 million) was capitalized as prepayments, deposits and other receivables in the consolidated statements of financial position as of June 30, 2020 to be charged against equity upon successful Listing. We expect to incur additional listing expenses of approximately RMB133.2 million (equivalent to HK$150.5 million), of which approximately RMB24.5 million (equivalent to HK$27.6 million) is expected to be recognized as administrative and other operating expenses and approximately RMB108.7 million (equivalent to HK$122.8 million) is expected to be recognized as a deduction in equity directly upon the Listing.

DIVIDENDS

We declared dividends of approximately US$131.1 million (equivalent to RMB900.00 million) and approximately US$93.8 million (equivalent to RMB635.07 million) in 2018 and 2019, respectively, which have been fully settled. Other than that, no dividend has been proposed, paid or declared by us during the Track Record Period. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

Our Board may declare dividends in the future after taking into account our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Ordinance, including the approval of our Shareholders. Please see "Financial Information – Dividends" for more details.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$12.90 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$3,191.3 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We plan to continue to strengthen our in-house R&D team and increase our investment in R&D and will use a majority of the net proceeds of the Global Offering to fund the continued research and development of our selected product candidates, with the view to supporting our transition to become an innovation and R&D-driven pharmaceutical company. We intend to use the net proceeds of the Global Offering for the following purposes:

Percentage of Net Proceeds	Future Plans	Approximately HK$ in millions
60%	Continued research and development of our selected product candidates in our strategically focused therapeutic areas.	1,914.8
10%	Reinforcement of our sales and marketing capabilities, including (i) recruitment of around 3,000 additional sales and marketing personnel with extensive knowledge and/or experience in pharmaceutical industry over three years to increase our coverage of medical institutions; (ii) provision of in-house and external training to our sales and marketing personnel to enhance their knowledge about our products and professional skills; and (iii) academic marketing efforts to enhance healthcare professionals' knowledge about the newly-launched and near-commercial products in our product portfolio.	319.1
10%	Investment in companies in the pharmaceutical or biotechnology sector in the next few years, with a view to broadening our product portfolio. We intend to consider both domestic and overseas companies with commercialized products or product candidates under development which have significant commercial value and the potential to address unmet medical needs. We may consider acquisitions or minority investments when appropriate opportunities arise. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to investments and had not identified any definite investment targets.	319.1
10%	Repayment of certain of our outstanding bank loans with maturity dates on December 1, 2020, January 7, 2021 and April 27, 2021, respectively.	319.1
10%	Working capital and other general corporate purposes.	319.1

Please see "Future Plans and Use of Proceeds" for more details.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"3D Medicines"	3D Biological Medicines (Shanghai) Co., Ltd. (思路迪生物醫藥(上海)有限公司), a limited liability company established in the PRC, together with its subsidiary, 3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司)
"Accountants' Report"	the report of the Reporting Accountants dated October 13, 2020, the text of which is set out in Appendix I of this prospectus
"Aeromics"	Aeromics, Inc., a company incorporated under the laws of Delaware, U.S. and an Independent Third Party
"Amgen"	Amgen Inc., a company incorporated under the laws of Delaware, U.S. and an Independent Third Party
"Apexigen"	Apexigen, Inc., a company incorporated under the laws of Delaware, U.S. and an Independent Third Party
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on October 8, 2020 with effect from the date of the Hong Kong Underwriting Agreement (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix IV to this prospectus
"Artking"	Artking Global Limited (雅景環球有限公司), a company incorporated under the laws of the BVI on April 8, 2013 and one of our Controlling Shareholders
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Assure Good"	Assure Good Holding Limited, a company incorporated under the laws of the BVI on January 24, 2020 as one of our employee incentive platforms

"Audit Committee"	the audit committee of the Board
"Banking Ordinance"	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"BCY Pharm"	BCY Pharm Co., Ltd. (江蘇博創園生物醫藥科技有限公司), a limited liability company established in the PRC on October 28, 2011 and a subsidiary of our Company
"Beijing Sanroad"	Beijing Sanroad Biological Products Co., Ltd. (北京祥瑞生物製品有限公司), a limited liability company established in the PRC on March 24, 2000 and a subsidiary of Nanjing BioSciKin Technology
"Benyuan Dongyuan"	Nanjing Benyuan Dongyuan Pharmaceutical Co., Ltd. (南京本原東元製藥有限公司), a limited liability company established in the PRC and merged into our Group in June 2003
"BioSciKin Innovative Pharmaceutical"	Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd. (南京百家匯創新藥品零售有限公司), a limited liability company established in the PRC on July 10, 2017 and a subsidiary of Nanjing BioSciKin Technology
"BioSciKin Medical"	BioSciKin Precision Medical Holding Group Co., Ltd. (百家匯精準醫療控股集團有限公司), formerly known as Nanjing BioSciKin Technology Venture Community Co., Ltd. (南京百家匯科技創業社區有限公司), a limited liability company established in the PRC on June 6, 2013 and a subsidiary of Nanjing BioSciKin Technology
"BMS"	Bristol-Myers Squibb Company, a company incorporated under the laws of Delaware, U.S. and an Independent Third Party
"Board" or "Board of Directors"	our board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday, or public holiday in Hong Kong
"BVI"	the British Virgin Islands

"CACA"	China Anti-Cancer Association (中國抗癌協會)
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct 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
"CDB Development Fund"	CDB Development Fund Co., Ltd. (國開發展基金有限公司), an investment entity established under the laws of the PRC by China Development Bank (國家開發銀行)
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only, except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"CNCB HK"	CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) (formerly known as RoyEast Investment Limited and China Investment and Financial Limited (振華國際財務有限公司)), a private company limited by shares incorporated under the laws of Hong Kong on March 23, 1973 and one of our Pre-IPO Investors

"CNCB SPC"	CNCB Capital Value SPC, an exempted company with limited liability incorporated and registered as a segregated portfolio company under the laws of the Cayman Islands on November 23, 2017 and one of our Pre-IPO Investors (acting on behalf of CNCB Capital Opportunity Investment Fund SP)
"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" or "our Company"	Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (formerly known as Simcere Pharmaceutical (Hong Kong) Limited (先聲藥業(香港)有限公司) and Sound & Sincere Investment Limited (興聲投資有限公司)), a private company limited by shares incorporated under the laws of Hong Kong on November 30, 2015
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, namely Shanghai Xianbo
"Contractual Arrangements"	the series of contractual arrangements entered into by Shanghai Xianjing, Shanghai Xianbo and its registered shareholders, details of which are described in "Contractual Arrangements"
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to SPHL, Simcere Investments, Simcere Holding, Artking, FFI, EGG, P&H Holdings, Right Wealth, Mr. Ren, Mr. Ren Yong (任用), Ms. Li Shimeng (李詩濛), Mr. Ren Weidong (任衛東), Ms. Ren Zhen (任真) and Ms. Peng Suqin (彭素琴)
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"CPU Pharma"	CPU Pharmaceutical Co., Ltd. (藥大製藥有限公司), formerly known as CPU Pharmaceutical Co., Ltd. (中國藥科大學製藥有限公司), a limited liability company established in the PRC and an Independent Third Party
"CSCO"	Chinese Society of Clinical Oncology (中國臨床腫瘤學會)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Daiichi Sankyo"	Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd. (第一三共製藥(上海)有限公司), a limited liability company established in the PRC and an Independent Third Party, and its affiliates
"Director(s)"	director(s) of our Company
"Dongjie Pharmaceutical"	Nanjing Dongjie Pharmaceutical Co., Ltd. (南京東捷藥業有限公司), a limited liability company established in the PRC and acquired by us in November 2007 and merged into our Group in March 2011
"EGG"	Excel Good Group Limited (先益集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 19, 2018 and one of our Controlling Shareholders
"EIT"	enterprise income tax in the PRC
"Epitomics"	Epitomics, Inc., a company incorporated under the laws of Delaware, U.S. and an Independent Third Party
"Excel Management"	Excel Management Company Limited, an exempted company incorporated under of laws of Bermuda on July 13, 2015 and a Shareholder of our Company as our employee incentive platform

"FFI"	Fortune Fountain Investment Limited (佳原投資有限公司), a company incorporated under the laws of Hong Kong on February 26, 2018 and one of our Controlling Shareholders
"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a company incorporated under the laws of Hong Kong on September 22, 2004 and one of our Pre-IPO Investors
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company and an Independent Third Party
"Frost & Sullivan Report"	an industry report commissioned by us and prepared by Frost & Sullivan
"GDP"	gross domestic product
"GFA"	gross floor area
"GI Innovation"	GI Innovation, Inc., a company incorporated under the laws of the Republic of Korea and an Independent Third Party
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Great Good"	Great Good Holding Limited, a company incorporated under the laws of the BVI on January 2, 2020 as one of our employee incentive platforms
"Greater China"	for the purpose of this prospectus, the PRC, Hong Kong, Macau and Taiwan
"**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," "we," or "us"	our Company and its subsidiaries and Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)

"G1 Therapeutics"	G1 Therapeutics, Inc., a company incorporated under the laws of Delaware, U.S. and an Independent Third Party
"Hainan BioSciKin"	Hainan Simcere BioSciKin Technology Development Co., Ltd. (海南先聲百家匯科技發展有限公司), a limited liability company established in the PRC on September 29, 2014 and a subsidiary of Nanjing BioSciKin Technology
"Hainan Simcere"	Hainan Simcere Pharmaceutical Co., Ltd. (海南先聲藥業有限公司) (formerly known as Sanya Haifu Pharmaceutical Co., Ltd. (三亞海富製藥有限公司), Hainan Haifu Pharmaceutical Co., Ltd. (海南海富製藥有限公司) and Simcere Pharmaceutical Co., Ltd. (先聲藥業有限公司)), a limited liability company established in the PRC on April 28, 1993 and a subsidiary of our Company
"Hightechbio"	Suzhou Hightechbio Biotechnology Co., Ltd. (蘇州海特比奧生物技術有限公司), a limited liability company established in the PRC and an Independent Third Party
"HK$" or "HKD" or "Hong Kong dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, which include the related standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants
"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" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 26,058,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in "Structure of the Global Offering"

"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in "Structure of the Global Offering") 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 conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the Hong Kong Underwriting Agreement
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 12, 2020, relating to the Hong Kong Public Offering and entered into by, among others, our Company, SPHL, Mr. Ren, the Joint Global Coordinators and the Hong Kong Underwriters
"Immunochina"	Beijing Immunochina Pharmaceuticals Co., Ltd. (北京藝妙神州醫藥科技有限公司), a limited liability company established in the PRC and an Independent Third Party
"Independent Third Party(ies)"	an individual or a company which, to the best of our Director's knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"InnoPharma"	InnoPharma Holdings Limited, a company incorporated under the laws of the BVI on July 2, 2019 and one of our Pre-IPO Investors
"International Offer Shares"	the 234,511,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering"

"International Offering"	the conditional offering of the International Offer Shares by the International Underwriters to professional, institutional, and other investors on behalf of our Company as described in "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, SPHL, Mr. Ren, the Joint Global Coordinators, the Joint Bookrunners and International Underwriters on or around October 16, 2020
"Jiangsu Alphamab"	Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of Alphamab Oncology (a company listed on the Stock Exchange with stock code: 9966) and an Independent Third Party
"Jiangsu Quanyi"	Jiangsu Quanyi Biotechnology Co., Ltd. (江蘇全益生物科技股份有限公司), a limited liability company established in the PRC on April 11, 1995 and a previous subsidiary of our Group
"Jiangsu Simcare Pharmaceutical"	Jiangsu Simcare Pharmaceutical Co., Ltd. (江蘇先聲再康醫藥有限公司), a limited liability company established in the PRC on November 26, 2008 and a subsidiary of Simcare Jiangsu
"Jiangsu Simcere"	Jiangsu Simcere Pharmaceutical Co., Ltd. (江蘇先聲藥業有限公司), formerly known as Jiangsu Chengong Pharmaceutical Co., Ltd. (江蘇臣功醫藥有限公司), a limited liability company established in the PRC on March 28, 1995 and a subsidiary of our Company
"Jiangsu Simcere Diagnostics"	Jiangsu Simcere Medical Diagnostics Co., Ltd. (江蘇先聲醫學診斷有限公司), a limited liability company established in the PRC on February 24, 2017 ultimately controlled by Mr. Ren Yong and Ms. Li Shimeng

"Joint Bookrunners"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and CMB International Capital Limited
"Joint Global Coordinators"	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and UBS AG Hong Kong Branch
"Joint Lead Managers"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch, CMB International Capital Limited and CNCB (Hong Kong) Capital Limited
"Joint Sponsors"	Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited
"JW Pharmaceutical"	JW Pharmaceutical Corporation, a company incorporated under the laws of the Republic of Korea and an Independent Third Party
"King View"	King View Development International Limited (皇景發展國際有限公司), a company incorporated under the laws of the BVI on February 6, 2008 and one of our Pre-IPO Investors
"LAT"	land appreciation tax (土地增值税), as defined in the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例實施細則》)
"Latest Practicable Date"	October 5, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board

"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about October 23, 2020, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence 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
"M&A Rules"	the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, SAMR, and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Merus"	Merus N.V., a company incorporated under the laws of Netherlands and listed on NASDAQ (stock code: MRUS), an Independent Third Party
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)

"Mr. Ren"	Mr. Ren Jinsheng (任晉生), the founder of our Group, an executive Director and the chief executive officer of our Company, and one of our Controlling Shareholders
"Nanjing BioSciKin"	Nanjing BioSciKin Biotechnology Development Co., Ltd. (南京百家匯生物科技發展有限公司), a limited liability company established in the PRC on December 13, 2018 and a subsidiary of our Company
"Nanjing BioSciKin Technology"	Nanjing BioSciKin Technology Development Co., Ltd. (南京百家匯科技發展有限公司) (formerly known as Nanjing Simcere BioSciKin Pharmaceutical Technological Development Company Limited (南京先聲百家匯醫藥科技發展有限公司)), a limited liability company established in the PRC on September 10, 2014 and a subsidiary of SGG
"Nanjing Huasheng"	Nanjing Huasheng Yikang Technology Co., Ltd. (南京華聲益康科技有限公司), a limited liability company established in the PRC on June 12, 1996 ultimately wholly owned by Mr. Ren
"Nanjing Medway"	Nanjing Medway Culture Media Co. Ltd. (南京麥得威文化傳媒有限公司), a limited liability company established in the PRC on May 9, 2017 and a subsidiary of Nanjing BioSciKin Technology
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Next Good"	Next Good Holding Limited, a company incorporated under the laws of the BVI on January 2, 2020 as one of our employee incentive platforms
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), formerly known as National Health and Family Planning Commission of the PRC ("NHFPC") (中華人民共和國國家衛生和計劃生育委員會); references to NHC include NHFPC

"NMPA"	National Medical Products Administration (國家藥品監督管理局), formerly known as China Food and Drug Administration ("**CFDA**") (國家食品藥品監督管理總局) or State Food and Drug Administration ("**SFDA**") (國家食品藥品監督管理局) or China's Drug Administration ("**CDA**") (國家藥品監督管理局); references to NMPA include CFDA, SFDA and CDA
"Nomination Committee"	the nomination committee of the Board
"NYSE"	the New York Stock Exchange
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed "Structure of the Global Offering – Pricing of the Global Offering"
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued 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 Global Coordinators pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 39,085,000 additional Shares (representing in aggregate approximately 15% of initial Offer Shares) at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering"
"Over-allotment Shares"	up to 39,085,000 Shares which our Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
"P&H Holdings"	P&H Holdings Group Ltd., a company incorporated under the laws of the BVI on December 5, 2018 and one of our Controlling Shareholders

"Palace Investments"	Palace Investments PTE. Ltd, a company incorporated under the laws of Singapore on June 20, 2012 and one of our Pre-IPO Investors
"PBOC"	the People's Bank of China (中國人民銀行)
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal, and other regional or local people's congresses) as the context may require, or any of them
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as most recently amended and adopted by the Standing Committee of the Thirteen National People's Congress on October 26, 2018 and effective on October 26, 2018
"PRC Legal Advisors"	Tian Yuan Law Firm, our legal advisors as to PRC laws
"Pre-IPO Investments"	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in "History, Reorganization and Corporate Structure – Pre-IPO Investments"
"Pre-IPO Investors"	Premier Praise, Fosun Industrial, King View, Palace Investments, InnoPharma, CNCB HK and CNCB SPC (acting on behalf of CNCB Capital Opportunity Investment Fund SP), details of which are set out in "History, Reorganization and Corporate Structure – Pre-IPO Investments – Information about the Pre-IPO Investors"
"PREGENE"	Shenzhen Pregene Biopharma Co., Ltd (深圳普瑞金生物藥業有限公司), a limited liability company established in the PRC and an Independent Third Party
"Premier Praise"	Premier Praise Limited (尚嘉有限公司), a company incorporated under the laws of the BVI on April 11, 2011 and one of our Pre-IPO Investors
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators and our Company on the Price Determination Date to record and fix the Offer Price

"Price Determination Date"	the date, expected to be on or about October 16, 2020, on which the Offer Price will be determined, or such later time as the Joint Global Coordinators and our Company may agree, but in any event, no later than October 22, 2020
"Primary Peptides"	Primary Peptides Inc., a company incorporated under the laws of Canada and an Independent Third Party
"Promise Good"	Promise Good Holding Limited, a company incorporated under the laws of the BVI on January 2, 2020 as one of our employee incentive platforms
"Qitian Pharmaceutical"	Hainan Qitian Pharmaceutical Co., Ltd. (海南其天製藥有限公司), formerly known as Hainan Qitian Information Industrial Co., Ltd. (海南其天信息產業有限公司), a limited liability company established in the PRC on December 6, 1998 and a subsidiary of Nanjing BioSciKin Technology
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the Listing as described in "History, Reorganization and Corporate Structure"
"Right Wealth"	Right Wealth Holdings Limited, a company incorporated under the laws of the BVI on December 13, 2011 and one of our Controlling Shareholders
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAFE Circular 13"	Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies for 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》) promulgated by SAFE in February 2015 and became effective in June 2015
"SAFE Circular 37"	Notice of SAFE on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents 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》) promulgated by SAFE in July 2014
"SAMR"	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), formerly known as State Administration for Industry and Commerce of the PRC ("SAIC") (中華人民共和國國家工商行政管理總局) and General Administration of Quality Supervision, Inspection and Quarantine of the PRC ("GAQSIQ") (中華人民共和國國家質量監督檢驗檢疫總局); references to SAMR include SAIC and GAQSIQ for the purpose of this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"SGG"	State Good Group Limited, a company incorporated under the laws of the BVI on October 12, 2005 and a wholly-owned subsidiary of EGG

"Shandong Simcere"	Shandong Simcere Biopharmaceutical Co., Ltd. (山東先聲生物製藥有限公司) (formerly known as Yantai Rongchang Bioengineering Limited (煙台榮昌生物工程有限公司), Yantai Rongchang Bioengineering Co., Ltd. (煙台榮昌生物工程股份有限公司), Yantai Maidejin Bioengineering Limited (煙台麥得津生物工程有限公司), Yantai Maidejin Bioengineering Co., Ltd. (煙台麥得津生物工程股份有限公司) and Shandong Simcere Maidejin Biology Pharmaceutical Co., Ltd. (山東先聲麥得津生物製藥有限公司)), a limited liability company established in the PRC on June 30, 1999 and a subsidiary of our Company
"Shanghai Simcere"	Shanghai Simcere Pharmaceutical Co., Ltd. (上海先聲藥業有限公司) (formerly known as Shanghai Haciyi Pharmaceutical Co., Ltd. (上海哈慈一醫藥業有限公司), Shanghai Simcere Haifu Pharmaceutical Co., Ltd. (上海先聲海富醫藥有限公司) and Simcere Merck Sharp & Dohme (Shanghai) Pharmaceutical Co., Ltd. (先聲默沙東(上海)藥業有限公司)), a limited liability company established in the PRC on July 20, 2000 and a subsidiary of our Company
"Shanghai Xianbo"	Shanghai Xianbo Biological Technology Co., Ltd. (上海先博生物科技有限公司), a limited liability company established in the PRC on April 22, 2020 indirectly controlled by our Company through the Contractual Arrangements
"Shanghai Xianjing"	Shanghai Xianjing Biological Technology Co., Ltd. (上海先競生物科技有限公司), a limited liability company established in the PRC on April 23, 2020 and a subsidiary of our Company
"Shanghai Xianyi"	Shanghai Xianyi Investment Management Partnership (Limited Partnership) (上海先益投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on November 20, 2015 and a subsidiary of our Company
"Shanghai Youxu"	Shanghai Youxu Medical Equipment Co., Ltd. (上海有序醫療器械有限公司), a limited liability company established in the PRC on January 20, 2020 and a subsidiary of Jiangsu Simcere Diagnostics

"Share(s)"	ordinary share(s) in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Simcare Jiangsu"	Simcare Jiangsu Pharmaceutical Co., Ltd. (先聲再康江蘇藥業有限公司), a limited liability company established in the PRC on August 3, 2001 ultimately controlled by Mr. Ren
"Simcere Biology"	Simcere Biology Medical Technology Co., Ltd. (先聲生物醫藥科技有限公司) (formerly known as Nanjing Simcere Dongyuan Biology Technology Co., Ltd. (南京先聲東元生物科技有限公司) and BioSciKin Biology Pharmaceutical Technology Co., Ltd. (百家匯生物醫藥科技有限公司)), a limited liability company established in the PRC on March 14, 2012 and a subsidiary of our Company
"Simcere Pharmaceutical"	Simcere Pharmaceutical Co., Ltd. (先聲藥業有限公司) (formerly known as Nanjing Simcere Dongyuan Pharmaceutical Co., Ltd. (南京先聲東元製藥有限公司) and Nanjing Dongyuan Pharmaceutical Co., Ltd. (南京東元製藥有限公司)), a limited liability company established in the PRC on September 10, 1998 and a subsidiary of our Company
"Simcere Europe"	Oy Simcere Europe Ltd., a limited company incorporated under the laws of the Republic of Finland on September 14, 2007 and a subsidiary of our Company
"Simcere Holding"	Simcere Holding Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 14, 2013 and one of our Controlling Shareholders
"Simcere Industrial"	Simcere Industrial Co., Limited (先聲實業有限公司), a company with limited liability incorporated under the laws of Hong Kong on August 28, 2017 and a subsidiary of our Company
"Simcere Innovation"	Simcere Innovation, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware of the United States on March 22, 2019 and a subsidiary of our Company

"Simcere International"	Simcere International Limited (先聲國際有限公司), a company incorporated under the laws of Hong Kong on June 19, 2014 and a subsidiary of our Company
"Simcere Investments"	Simcere Investments Group, formerly known as Simcere Pharmaceutical Group, an exempted company with limited liability incorporated under the laws of the Cayman Islands on August 4, 2006 and one of our Controlling Shareholders
"Simcere Biological Pharmaceutical"	Jiangsu Simcere Biological Pharmaceutical Co., Ltd. (江蘇先聲生物製藥有限公司), formerly known as Nanjing BioSciKin Innovation Biology Technology Co., Ltd. (南京百家匯創新生物科技有限公司), a limited liability company established in the PRC on July 10, 2017 and a subsidiary of our Company
"Simcere Shanghai Pharmaceutical"	Simcere (Shanghai) Pharmaceutical Co., Ltd. (先聲(上海)醫藥有限公司), formerly known as Shanghai Simcere Pharmaceutical Research Co., Ltd. (上海先聲藥物研究有限公司) and Shanghai BioSciKin Technology Venture Capital Co., Ltd. (上海百家匯科技創業投資有限公司), a limited liability company established in the PRC on December 16, 2011 and a subsidiary of our Company
"Simcere Technology"	Jiangsu Simcere Pharmaceutical Technology Co., Ltd. (江蘇先聲醫藥科技有限公司), a limited liability company established in the PRC on August 14, 2017 and a subsidiary of our Company
"Simcere UK"	Simcere UK Limited, a private company limited by shares incorporated under the Companies Act 2006 of the United Kingdom on December 20, 2017 and a subsidiary of our Company
"Simcere US"	Simcere of America Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware of the United States on January 5, 2011 and a subsidiary of our Company
"Simgene Group"	Simgene Group Limited, an exempted company with limited liability incorporated under the laws of Cayman Island on April 9, 2020 and a subsidiary of our Company

"Simgene LLC"	Simgene LLC, a limited liability company incorporated under the Massachusetts Limited Liability Company Act of the United States on April 19, 2019 and a subsidiary of our Company
"Simnogen Biotech"	Simnogen Biotech Ltd. (南京先合津生物科技有限公司), a limited liability company established in the PRC held by Shandong Simcere as to 51%
"SPHL"	Simcere Pharmaceutical Holding Limited (formerly named as Simcere Pharmaceutical Group), an exempted company with limited liability incorporated under the laws of the Cayman Islands on August 15, 2014 and one of our Controlling Shareholders
"STA"	State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Stabilizing Manager"	Morgan Stanley Asia Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and SPHL on or around the Price Determination Date
"subsidiary(ies)"	has the meaning ascribed thereto under section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"TCRCure Beijing"	Beijing TCRCure Biotechnology Co., Ltd. (北京天科雅生物科技有限公司), a limited liability company established in the PRC and an Independent Third Party
"TCRCure US"	TCRCure Biopharm Corp., a company incorporated in the United States and an Independent Third Party
"Track Record Period"	the three financial years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020

"Ultimate Controlling Shareholders"	EGG, P&H Holdings, Right Wealth, Mr. Ren, Mr. Ren Yong, Ms. Li Shimeng, Mr. Ren Weidong, Ms. Ren Zhen and Ms. Peng Suqin
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, possessions, and all areas subject to its jurisdiction
"U.S. FDA"	U.S. Food and Drug Administration
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$," "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s)
"**White Form eIPO**"	the application process for Hong Kong Offer Shares with applications to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuhu Simcere"	Wuhu Simcere Zhongren Pharmaceutical Co., Ltd. (蕪湖先聲中人藥業有限公司), a limited liability company established in the PRC on September 19, 2008 and a subsidiary of our Company
"WuXi AppTec"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a limited liability company established in the PRC and an Independent Third Party

"Xuancheng Menovo"	Xuancheng Menovo Pharmaceutical Co., Ltd. (宣城美諾華藥業有限公司), a limited liability company established in the PRC and an Independent Third Party
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly in CCASS
"YenePharma"	Yantai YenePharma Technology Co., Ltd. (煙台益諾依生物醫藥科技有限公司), a limited liability company established in the PRC and an Independent Third Party
"Zigong Yirong"	Zigong Yirong Industrial Co., Ltd. (自貢市益榮實業有限公司), a limited liability company established in the PRC on September 2, 2005 and a subsidiary of our Company

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

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

"ANDA"	abbreviated new drug application
"antibiotics"	a substance produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
"antibody"	an immunoglobulin produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses
"API"	active pharmaceutical ingredient, the substance in a pharmaceutical product that is biologically active
"BCMA"	B cell maturation antigen
"bioequivalence"	the relationship between two preparations of the same drug in the same dosage form that have a similar bioavailability (rate and extent of availability)
"biosimilar"	the generic version of a patented biologic drug
"BLA"	biologic license application submitted to the U.S. FDA
"BTC"	biliary tract cancer, a cancer of the liver, gall bladder or bile ducts
"CAR T-cell therapy"	chimeric antigen receptor T cell therapy, a type of cell therapy that genetically modifies natural T cells to treat cancers
"category I innovative pharmaceutical" or "category I innovative drug"	innovative pharmaceutical that has never been marketed worldwide, which is defined by Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》) issued by NMPA on March 4, 2016, being API and its preparation that contain new compounds with clearly defined structure and pharmacological effects, and indicate clinical value

"category II innovative pharmaceutical" or "category II innovative drug"	modified new pharmaceutical that has never been marketed worldwide, which is defined by Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》) issued by NMPA on March 4, 2016, including (i) API and its preparation that are derived from optimization of structure of known API, and indicate apparent clinical advantages, and (ii) preparation containing known API that has new compound, new dosage form, new prescription process, new administration method or new indication, and indicates apparent clinical advantages
"CD19"	cluster of differentiation 19, a transmembrane protein that in humans encoded by the gene CD19, acting as an adaptor protein to recruit cytoplasmic signaling proteins to the membrane
"CD28"	cluster of differentiation 28, one of the proteins expressed on T cells that provide co-stimulatory signals required for T-cell activation and survival
"CD80"	cluster of differentiation 80, one of the proteins in the immunoglobulin superfamily, with an extracellular immunoglobulin constant-like domain and a variable-like domain required for receptor binding. CD80 is the receptor for the proteins CD28 (for co-stimulatory signals for T-cell activation) and CTLA4 (for negative regulation on T-cell activation)
"CD86"	cluster of differentiation 86, a protein expressed on dendritic cells, macrophages, B cells, and other antigen-presenting cells, providing co-stimulatory signals necessary for T-cell activation and survival
"CDE"	Center for Drug Evaluation, a division of the NMPA
"cerebral edema"	fluid builds up around the brain, causing an increase in pressure known as intracranial pressure
"cerebral infarction"	an area of necrotic tissue in the brain resulting from a blockage or narrowing in the arteries supplying blood and oxygen to the brain

"cerebrovascular disease"	a class of diseases that involve the blood vessels of the brain
"cholesterol"	a waxy, fat-like substance that occurs naturally in all parts of the body
"Class III hospitals"	the largest and best regional hospitals in China designated as class III hospitals by the NHC hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"CMC"	chemistry, manufacturing, and controls processes
"compound"	a substance consisting of two or more elements in union
"CR"	complete regression or complete response
"critical illness medical insurance"	insurance policy providing additional coverage for medical emergencies that incur greater than average medical costs, like heart attack, stroke, or cancer
"CRO"	a contract research organization, who provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CTLA4-Fc"	fusion protein formed by extracellular domain of CTLA4 and Fc part of immunoglobulin. CTLA4 refers to cytotoxic T-lymphocyte-associated protein 4, a protein expressed on all T cells but which is expressed at the highest level on regulatory T cells (Treg) and contributes to the suppressor function of Treg and acts as an off-switch to T-cell immune response to cancer cells
"cytokine"	a broad and loose category of small proteins that are important in cell signaling. Their release has an effect on the behavior of cells around them
"DMARDs"	disease-modifying antirheumatic drugs

"dMMR"	deficient mismatch repair, ability of a cell in correcting mistakes made when DNA is copied in a cell. Mismatch repair deficient cells usually have many DNA mutations, which may lead to cancer
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses
"EGFR"	epidermal growth factor receptor
"first-to-market generic pharmaceutical"	generic pharmaceuticals that first received approval to be marketed
"fusion protein"	proteins created through the joining of two or more genes by molecular engineering
"free radicals"	compounds with an unpaired electron, which makes them extremely reactive
"GCP"	good clinical practices standards
"generic pharmaceutical" or "generic drug"	a pharmaceutical that contains the same active ingredients as an original formulation and is comparable in dosage form, strength, quality, performance and intended use
"GMP"	Good Manufacturing Practice, guidelines and regulations issued from time to time pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to the quality and standards appropriate for their intended use

"GSP"	Good Supply Practice, guidelines and regulations from time to time issued pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) to provide quality assurance and ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with the guidelines and regulations
"HLA-DRB1"	a gene providing instructions for making a protein that plays a critical role in the immune system, part of a family of genes called the human leukocyte antigen (HLA) complex
"HMG-CoA reductase"	the rate-controlling enzyme of the mevalonate pathway that produces cholesterol and other isoprenoid biosynthesis
"IDL"	Import Drug License
"IL15"	Interleukin-15, a cytokine with structural similarity to Interleukin-2 (IL-2). Like IL-2, IL-15 binds to and signals through a complex composed of IL-2/IL-15 receptor beta chain (CD122) and the common gamma chain (gamma-C, CD132). IL-15 is secreted by mononuclear phagocytes (and some other cells) following infection by virus(es)
"IND"	investigational new drug, an application and approval process required before drug candidates may commence clinical trials
"indication"	a valid reason to use a certain test, medication, procedure or surgery
"inflammation"	a protective tissue response to injury or destruction of tissues, which serves to destroy, dilute, or wall off both the injurious agent and the injured tissues
"inhibitor"	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"KOLs"	key opinion leaders

"LDL"	low-density lipoprotein, a range of lipoprotein particles that carry cholesterol in the blood and around the body, for use by cells
"lymphoma"	any neoplastic disorder of lymphoid tissue
"lyophilized powder"	soluble drug in powder form for injection which is prepared through the process of freezing, sublimation and dehydration under low temperature and low pressure conditions
"malignant melanoma"	a type of cancer that develops from the pigment-producing cells known as melanocytes, typically occur in the skin but may rarely occur in the mouth, intestines or eye
"metastasis"	the spread of cancer from one part of the body to another
"molecule"	an electrically neutral group of two or more atoms held together by chemical bonds
"monoclonal antibody" or "mAb"	antibodies capable of binding to specific antigens and inducing immunological responses against the target antigens. Monoclonal antibodies, when used as a cancer treatment, have the ability to bind only to cancer cell-specific antigens and interrupt the growth of cancer cells to achieve efficient treatment with low dosages and less toxic side effects than traditional chemotherapy
"monotherapy"	treatment of a condition by means of a single drug
"MSI-H"	microsatellite instability-high, a feature of cancer's genetic coding with a high amount of instability in a tumor
"multiple myeloma"	a cancer in which tumorigenic plasma cells accumulate in the bone marrow, causing severe pain, anemia, and kidney failure
"National Essential Drug List"	the National Essential Drug List (2018 version) (《國家基本藥物目錄(2018年版)》) promulgated by the NHC, as amended, supplemented or otherwise modified from time to time

"NDA"	new drug application
"NK cell"	natural killer cell, a type of white blood cell
"neoplasms"	a type of abnormal and excessive growth of tissue, the growth of which is uncoordinated with that of the normal surrounding tissue. Neoplasms persist growing abnormally even if the original trigger is removed
"non-Hodgkin's lymphoma"	any of a large group of cancers of lymphocytes (white blood cells). Non-Hodgkin's lymphomas can occur at any age and are often marked by lymph nodes that are larger than normal, fever, and weight loss
"NP chemotherapy regimen"	vinorelbine and cisplatin regimen, a regimen for treatment of NSCLC
"NRDL"	China's National Reimbursement Drug List, also known as Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), which was published by MOHRSS on November 27, 2009 and amended from time to time. The latest version of NRDL was jointly published by National Healthcare Security Administration (國家醫療保障局) and MOHRSS in 2019 and came into force on January 1, 2020
"NSCLC"	non-small-cell lung cancer, any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung cancer
"NTRK genes"	neurotrophic tyrosine receptor kinase genes, proto-oncogenes that may cause canceration when activated abnormally
"ORR"	objective response rate
"osteosarcoma"	the most common type of cancer that starts in the bone
"osteoarthritis"	the most common form of arthritis, occurring when the protective cartilage that cushions the ends of bones wears down over time

"OTC"	over the counter, drugs sold directly to a consumer without a prescription, as opposed to prescription drugs
"PD-L1"	programmed death ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"pharmacology"	the science that deals with the origin, nature, chemistry, effects, and uses of drugs, including pharmacognosy, pharmocokinetics, pharmacodynamics, pharmacotherapeutics and toxicology
"phase I clinical trials"	phase I clinical trials aim to test the safety of a new drug candidate
"phase II clinical trials"	phase II clinical trials test the new drug candidate on a larger group of patients, to gather information about whether it works and how well it works in the short-term
"phase III clinical trials"	phase III clinical trials are for a new drug candidate that has already passed phases I and II which test the new drug candidate in larger groups of patients, and compare the new drug candidate against an existing treatment or a placebo to see if it works better in practice and if it has important side effects
"phase IV clinical trials"	phase IV clinical trials are for a new drug that has passed all the previous stages and has been granted marketing approvals. A marketing approval means the drug can be made available on prescription. It is not required for every drug
"pivotal registrational trial"	a clinical trial or study intended to provide evidence for a drug marketing approval
"pre-clinical studies"	pre-clinical studies testing a drug candidate on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether a drug candidate is ready for clinical trials
"placebo"	a substance or treatment with no active therapeutic effect, commonly used in clinical trials as the administered substance for the control group

"pleural mesothelioma"	a type of tumor that begins in pleural mesothelium, the most common primary tumor in the pleura
"pneumonia"	an infection of one or more lungs which is usually caused by bacteria, viruses or fungi
"prescription pharmaceutical"	a drug that can be dispensed to the public only with an order given by a properly authorized person
"provincial medical insurance catalog"	the basic medical insurance, work injury insurance and maternity insurance drugs catalogue, issued by the provincial, municipal or autonomous region's human resource and social security agency
"pyelonephritis"	inflammation of the renal pelvis, typically due to a bacterial infection. Symptoms mainly include fever and flank tenderness
"recombinant"	the combination of genetic materials from more than one origin, or a method to express native proteins in vitro by genetic engineering
"RNA"	refers to ribonucleic acid
"ROS1"	tyrosine kinase with structural similarity to the anaplastic lymphoma kinase (ALK) protein
"r/r"	relapsed and refractory
"SCLC"	small-cell lung cancer
"sjögren's syndrome"	an autoimmune disease that affects the moisture-producing glands of human bodies
"surrounding invention patents"	a series of improved invention patents centering around basic invention patents, registered to protect core technologies or establish barriers for competitors
"synthesis"	the production of chemical compounds by reaction from simpler materials
"TCR T-cell therapy"	T cell receptor-engineered T cell therapy, a type of cellular immunotherapy that genetically modifies natural T cells to treat cancers

"TNF"	tumor necrosis factor, a cell signaling protein involved in systemic inflammation and is one of the cytokines that make up the acute phase reaction
"translational medicine"	an area of research that aims to improve human health and longevity by determining the relevance to human disease of novel discoveries in the biological sciences
"VEGF"	vascular endothelial growth factor, a signal protein produced by cells that stimulates the formation of blood vessels
"VLDL"	very-low-density lipoprotein, a type of lipoprotein made by the liver

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

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices;
- our ability to defend our intellectual rights and protect confidentiality;

- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes;
- commodity prices and overall market trends;
- capital market developments; and
- our dividend policy.

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

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

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

An investment in the Offer Shares involves various risks. You should carefully consider all the information in this prospectus and in particular the risks and uncertainties described below before making an investment in the Offer Shares.

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur, the trading price of the Offer Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If our products are excluded or removed from national, provincial or other government-sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be materially and adversely affected.

Under medical insurance programs in the PRC, patients are entitled to full or partial reimbursement of costs for pharmaceutical products listed in the NRDL or relevant provincial medical insurance catalogs, or included in provincial insurance schemes regarding special medications for the treatment of major diseases. According to the National Healthcare Security Administration and Frost & Sullivan, approximately 1,354.4 million people in China were enrolled in Employee Basic Medical Insurance Scheme and Urban and Rural Residents Basic Medical Insurance Scheme in 2019, representing 96.7% of the entire population in China. Consequently, the inclusion or exclusion of a pharmaceutical product in or from any of such medical insurance catalogs, or any limitation imposed on the coverage of a pharmaceutical product, will significantly affect the demand for such product in the PRC. As of the Latest Practicable Date, eight of our major products were included in the NRDL; our revenue from sales of these eight major products accounted for 50.0%, 53.6%, 60.9% and 66.7% of our total revenue, respectively, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

The selection of pharmaceutical products for listing in medical insurance catalogs is based on a variety of factors, including clinical needs, frequency of use, effectiveness, safety and price, many of which are outside our control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise, or change the scope of reimbursement for, the products that are already listed in any medical insurance catalog. There can be no assurance that any of our products currently listed in these medical insurance catalogs will remain listed, or that changes in the scope of reimbursement will not negatively affect our products. If any of our products or their indications are removed from any medical insurance catalog, or if the scope of reimbursement is reduced, demand for our products may decrease and our revenue and profitability could be adversely affected. For example, edaravone

was excluded from the latest version of NRDL, which was published in August 2019 and came into force in January 2020. The sales volume of our Bicun decreased as a result of such exclusion, and there is no assurance that it may not experience decrease in sales in the future. Furthermore, if we are unable to get new products listed in these medical insurance catalogs, our business prospects could be adversely affected.

In addition, NHC and National Administration of Traditional Chinese Medicine (國家中醫藥管理局) jointly issued the "First Batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products)" (《第一批國家重點監控合理用藥藥品目錄(化藥和生物製品)》) (the "**Control List**") in June 2019, which requires medical institutions to strictly monitor and control the clinical use of pharmaceuticals included therein, therefore significantly decreasing physicians' capability as well as willingness to prescribe the relevant pharmaceuticals. The sales volume of our Bicun decreased in 2019 as a result of the issuance of the Control List. There can be no assurance that similar catalogs will be issued at national or provincial level, nor can we predict future pharmaceutical coverage of such catalogs. If any of our products are included in such negative catalogs, demand for our products may decrease and our revenue and profitability could be adversely affected.

The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease, which could materially and adversely affect our profitability.

It is typical in China that the prices of pharmaceutical products will decline over the life of the product as a result of, among other things, the centralized tender process, pricing regulation by the PRC government, or increased competition from substitute products, including due to price adjustments by pharmaceutical companies (producers of the originator brands), whether or not voluntarily or as a result of government regulations or policies. The importation of competing products from countries where government price controls or other market dynamics result in lower prices may also exert downward pressure on the prices of our products.

Prior to June 1, 2015, price controls in the PRC pharmaceutical industry were mainly in the form of maximum retail prices. In May 2015, pursuant to a notice issued by seven PRC State agencies including the NDRC and the NMPA, government price controls on pharmaceutical products were lifted as of June 1, 2015. As a result, prices of pharmaceutical products are currently mainly determined by market competition through the centralized tender processes at the provincial level, without price ceilings set by the NDRC. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing compared to government-controlled pricing, as competition from other manufacturers, particularly those offering the same products at more competitive prices, may force us to lower prices of our products upon commercialization to the previous government-controlled price levels.

The prices of our products have been susceptible to pricing pressure coming from manufacturers of competing products. In addition, the lifting of price ceilings, which provided more incentives for manufacturers to develop innovative products, could also adversely affect the wholesale prices at which we can sell the relevant products to our distributors. Under the terms of our distribution agreements, we and the relevant distributor may adjust the supply price of our products in the event of a price change as a result of regulatory or policy changes or centralized tender processes. However, in the event that any retail price changes after our products are delivered to our distributors but before they are sold to medical institutions, we may bear the upside potential as well as downside risk from any such retail price change for the relevant products. The financial impact of such price adjustments is insignificant to our total revenue during the Track Record Period.

In addition, PRC government authorities may reform the schemes of pricing control and statutory tender processes for pharmaceutical products or revise other policies affecting prices of pharmaceutical products over time. For example, under the Guiding Opinions of the General Office of the State Council on Improving Centralized Purchasing of Drugs for Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》) issued in February 2015, hospitals are encouraged to directly settle the prices of pharmaceutical products with manufacturers. This policy is intended to reduce the hospital retail prices of pharmaceutical products by eliminating the intermediaries between hospitals and manufacturers. Consolidated procurement and direct settlement between hospitals and manufacturers may increase the bargaining power of hospitals and increase the pricing pressure on our existing and future products.

In November 2018, the Joint Procurement Office led by the State Administration for Medical Insurance published the "Papers on Centralized Drug Procurement in "4+7" Cities" (《4+7城市藥品集中採購文件》) (the "**Papers**"), which launched the national pilot scheme for centralized volume-based drug procurement. The Papers listed 31 drugs for this pilot scheme together with an intended volume commitment for each drug. The manufacturers and importers of the drugs are invited to bid to supply the drugs to public medical institutions in the "4+7" cities. The move is aimed at reducing drug prices and may potentially impact how drugs are priced and procured in China. On January 1, 2019, the General Office of the State Council also published the "Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State" (the "**Notice**") (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》). The Notice provides additional detailed measures in the implementation of the national pilot scheme for centralized volume-based drug procurement in the "4+7" cities. Among the 31 drugs listed in the Papers for the pilot scheme, 25 drugs were successfully procured. In September 2019, the Joint Procurement Office published the "Papers on Centralized Drug Procurement in Alliance Areas" (《聯盟地區藥品集中採購文件》), which further expanded the scope of centralized volume-based drug procurement of such 25 drugs to 25 provinces and autonomous regions (except for the "4+7" cities listed in the Papers). In December 2019, the Joint Procurement Office published the "Papers on Centralized Drug Procurement Nationwide" (《全國藥品集中採購文件》), listing 33 drugs for centralized

procurement together with an intended volume commitment for each drug. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Tender Process – The Centralized Volume-based Drug Procurement in "4+7 Cities" and Wider Areas" for more details.

As of the Latest Practicable Date, we only won the bids to supply our Biqi-branded diosmectite powder to public medical institutions in "4+7" cities and to supply our tofacitinib citrate tablets to public medical institutions nationwide at a discounted price. There are uncertainties with respect to future drug coverage of centralized drug procurement schemes. As a result, there can be no assurance that we may have additional drugs added to such schemes in the future, which may result in increased pricing pressure on us. If our competitors win the bid in such schemes while we fail to do so for our products with the same generic names, demands for our products may decrease and our revenue, profitability and market share could be adversely affected. Moreover, even if we win the bid for our products, there may be discrepancies between the estimated procurement volumes set out in the tender documents and the actual procurement volumes. Consequently, there are uncertainties with respect to the impact of the implementation of centralized drug procurement schemes on the sales volume as well as the revenue of the winning products.

In addition, innovative pharmaceuticals included in any national medical insurance negotiation list generally need to undergo pricing negotiation process with the PRC government. Endostar (recombinant human endostatin injection) has entered into the NRDL through pricing negotiation, which resulted in a decrease of its retail price across the country.

Any such or future changes of policies, which we may not be able to predict or control, could create uncertainties materially and adversely affecting our product pricing, and accordingly, revenue and profitability.

If the prices of our products decline due to government pricing regulation, emergence of substitute products or other market factors, we may not be able to mitigate the adverse effects of such price reduction without incurring substantial expenses to improve our products, and our margins and profitability could be materially and adversely affected.

If we are unable to succeed in tender processes to sell our products to PRC public hospitals and other medical institutions, we may lose market share and our revenue and profitability could be materially and adversely affected.

The majority of our products we sell to our distributors are then sold to public hospitals and other medical institutions owned or controlled by government authorities in China. Each of these institutions must generally procure pharmaceuticals through a centralized pharmaceutical procurement platform organized by local government authorities, and source substantially all of their pharmaceuticals through a centralized tender process. We and our competitors submit bids in such tender process to supply pharmaceutical products to these institutions at specified prices. The relevant government authorities evaluate these bids based on a number of criteria, such as bidding price, product quality, clinical effectiveness and reputation and after-sales service of the manufacturers. If we succeed in the tender process, the

relevant products will be sold to the public hospitals and other medical institutions at the bid prices through our distributors, which is the primary determinant of the prices at which we sell these products to our distributors.

We may fail to win bids in a tender process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, failure to meet certain quality requirements, insufficient service quality to meet tender requirements, perception that our product is less clinically effective than competing products or our service or other aspects of our operations are less competitive. If our products are not selected in the tender processes in one or more regions, we will be unable to sell these products to the public hospitals and other medical institutions in those regions, and our market share, revenue and profitability could be adversely affected.

The tender processes can also create pricing pressure among substitute products or products that are perceived to be substitute products. Drug prices face further downward pressure from the centralized tender process in several provinces which requires that bids for a product should not exceed the lowest winning bid nationwide or the average of the five to 10 winning bids for the same product in designated provinces. Our sales volumes and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in the centralized tender processes without compromising our profitability. If we are unable to differentiate our products or are otherwise not successful in winning bids in the centralized tender processes at profitable levels, our market share, results of operations and profitability could be adversely affected.

Furthermore, there are uncertainties as to when a province will commence its centralized tender process, and when the new prices will come into effect pursuant to the completion of a centralized tender process. The uncertain timeline in relation to the centralized tender process could materially and adversely affect our business, results of operations and prospects.

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

The PRC pharmaceutical industry is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing, certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs, quality control, pricing of pharmaceutical products and environmental protection. There can be no assurance that the legal framework, licensing and certification requirements or enforcement trends in our industry will not change in a manner that may result in increased costs of compliance, or that we will be successful in responding to such changes. In addition, we are subject to the risk of adverse changes to favorable governmental policies from which we currently benefit, and the introduction of unfavorable governmental policies. The costs we incur to comply with these

laws and regulations may materially increase our total costs and decrease our profit. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our production facilities and obligations to take rectification measures.

For example, since July 2015, the NMPA has introduced a number of measures to deal with the drug applications backlog. On July 22, 2015, the NMPA issued the "Notice in relation to the Self-review of Clinical Trials Data of Pharmaceutical Products" (《關於開展藥物臨床試驗數據自查核查工作的公告》) (NMPA Notice No. 117 (2015)), which required applicants to self-review the clinical trials data of 1,622 listed drugs with pending applications for manufacturing or importation approval. On July 31, 2015, the NMPA issued the "Consultation on Policies in relation to Swiftly Resolving Drug Applications Backlog" (《關於徵求加快解決藥品註冊申請積壓問題的若干政策意見》) (NMPA Notice No. 140 (2015)), according to which the NMPA planned to apply the most stringent standards to review and approve the current drug applications. In addition, on November 11, 2015, the NMPA issued "Certain Policies in relation to the Review and Approval of Drug Applications" (《關於藥品註冊審評審批若干政策的公告》) (NMPA Notice No. 230 (2015)), which set out 10 key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trials data, drug effectiveness and consistency between the originator version and the generic version as demonstrated in consistency evaluations. The combination of these policies indicates that pharmaceutical companies need to conduct self-review of their drug applications and data to determine if they meet the stringent standards set by the NMPA. Failure to meet NMPA requirements could result in the relevant applicant having to withdraw its drug application and resubmit the relevant drug application only when the NMPA requirements are met. The more stringent standards in respect of drug applications may delay our applications in relation to our future products or require us to withdraw our applications.

In February 2016, the General Office of the State Council issued the "Opinion on Conducting the Quality and Efficacy Consistency Evaluation of Generic Drugs" (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》) (the "**February 2016 Opinion**"), which requires pharmaceutical manufacturers to evaluate the quality and efficacy of certain of their generic drugs within the prescribed time limits. Failure to timely complete such evaluation could cause previous approvals for the sale of relevant generic drugs to be revoked and make them ineligible for re-registration for sale. In August 2017, the NMPA issued the "Announcement of the China Food and Drug Administration on Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs" (《國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告》) (NMPA Notice No. 100 (2017)), which sets out procedures for the application, approval, inspection and test of the consistency evaluation as required under the February 2016 Opinion. In December 2018, the NMPA issued the "Announcement on the Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs" (《國家藥品監督管理局關於仿製藥質量和療效一致性評價有關事項的公告》) (NMPA Notice No. 102 (2018)) which removed the uniform timelines for the oral solid preparations of chemical generic drugs included in the National Essential Drug List (2012 Edition) to complete the consistency evaluation. On

May 12, 2020, the NMPA promulgated the "Circular on Conducting the Quality and Efficacy Consistency Evaluation for Generic Chemical Pharmaceuticals in the Form of Injections" (《關於開展化學藥品注射劑仿製藥質量和療效一致性評價工作的公告》), which requires marketed generic chemical pharmaceuticals in the form of injections to conduct consistency evaluation if they were not approved under the principle of being consistent with the quality and efficacy of originator pharmaceuticals. Marketing authorization holders of such generic pharmaceuticals shall submit applications and conduct consistency evaluation in accordance with detailed technical requirements promulgated by the NMPA. However, there remains significant uncertainty relating to the substantive and procedural requirements of the evaluation process, the interpretation of the relevant written requirements and procedures as well as associated costs, including costs in relation to conducting consistency evaluations. If we fail to complete the evaluation for our generic drugs, we may not be able to re-register such drugs for sale, or participate in the centralized tender process. If we fail to complete the bioequivalence test study, we may fail to obtain generic drugs approval, as a result of which, we cannot start production and sale of the relevant drugs. All of these may materially and adversely affect our business, financial condition, results of operations and prospects. Please refer to "Regulatory Overview – Laws and Regulations Relating to Drugs – Laws and Regulations on Drug Registration – Registration of Generic Drugs" for more details.

Legal and regulatory changes may lead to significant changes in the PRC pharmaceutical industry and could result in increased costs and lowered profit margins for manufacturers, distributors and retailers of pharmaceutical products. Any legal and regulatory changes could also lead to a decrease in the amounts of products purchased by our customers and/or the price of our products. We cannot assure you that we will be able to sufficiently and promptly respond to regulatory changes in the future, and such failure may have a material adverse effect on our business, financial condition, results of operations and profitability.

If we or our business partners fail to maintain the necessary licenses for the development, production, promotion, sales and distribution of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.

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

certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or our business partners fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired.

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

We are dependent on sales of a limited number of major products. If we are unable to maintain the sales volumes, pricing levels and profit margins of our major products, our revenues and profitability could be adversely affected.

We are dependent on sales of 10 major pharmaceutical products. Revenue from the sales of these products accounted for 85.1%, 83.0%, 81.9% and 78.9% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We expect that revenue from the sales of these major products will continue to contribute a substantial portion of our revenue in the near future. If we are unable to maintain the sales volumes, pricing levels and profit margins of these major products, our revenue and profitability could be adversely affected.

Many of the factors discussed in this section could adversely affect sales of our major products, including, but not limited to, their exclusion or removal from the NRDL, relevant provincial medical insurance catalogs or the National Essential Drug List; competition and lack of success in the centralized tender process necessary for sales to public hospitals and other medical institutions in the PRC; pricing pressure caused by government policies and competition; market acceptance among the medical community; interruptions in the supply of raw materials; increases in the cost of raw materials; disruptions in manufacturing or distribution; issues with product quality or side effects; and disputes over intellectual property rights. Moreover, despite our efforts, we may be unable to develop or acquire new products that would diversify our business and reduce our dependence on our major products in a timely or competitive manner, or at all.

Failure to achieve or maintain widespread market acceptance for our products may have an adverse impact on our operations, profitability and prospects.

The commercial success of our products, including existing or future products, is highly dependent on their continued market acceptance among healthcare practitioners and patients. We believe that the market acceptance of our products depends on many factors, including:

- The perceived advantages of our products over competing products and the availability and success of competing products;
- the safety and efficacy of our products and the prevalence and severity of side effects, if any;
- the pricing and cost effectiveness of our products;
- the effectiveness of our sales and marketing efforts;
- publicity concerning our products or competing products; and
- our ability to respond to changes in needs and preferences of healthcare practitioners and patients.

In addition, market acceptance of a product is also affected by whether it is included in the NRDL or provincial medical insurance catalogs. Please see "– If our products are excluded or removed from national, provincial or other government-sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be materially and adversely affected." During the Track Record Period, at our own discretion, we accepted partial return of one of our products which remained unsold due to a change of relevant government policies, the total amount of which was immaterial. If our products fail to achieve or maintain widespread market acceptance, or if new products introduced by our competitors are perceived more favorably by healthcare practitioners and patients, are more cost-effective or otherwise render our products obsolete, the demand for our products may decline and our business and profitability may be materially and adversely affected.

We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability.

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

Our key competitors are large national and regional manufacturers of pharmaceutical products, including large State-owned pharmaceutical companies. We also compete with multinational pharmaceutical companies. Our products primarily compete with products that are indicated for similar conditions as our products on the basis of efficacy, safety, price, brand, general market acceptance and recognition. Our competitors may be able to more quickly or more successfully discover, develop, acquire or market effective substitutes for our products for a number of reasons, including:

- the patents for certain products in our product portfolio, as well as certain product candidates we intend to develop, do not cover the underlying APIs. Therefore, our competitors may formulate substitute products utilizing the same APIs. In addition, the patents for certain products in our product portfolio have expired or will expire in a short period of time. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce substitute products to our products which may be identical in formulation;

- we sourced APIs for certain of our products from third-party suppliers, some of whom are our competitors and are well-positioned to compete with us leveraging their strong control over the APIs essential for the production of our relevant products;

- a majority of our major products have been sold in the PRC market for more than 10 years, which makes these products susceptible to substitute products that are more effective clinically or cost-wise as a result of technological developments, changes in treatment protocols and other medical advances that have occurred subsequent to the initial development of our products;

- our products typically target conditions that are in high demand for medical treatment in China, and, as a result, our competitors, some of whom may have greater clinical, research, regulatory, manufacturing, marketing, financial and human resources than us, may elect to focus these resources on developing, importing or in-licensing and marketing products in the PRC that are substitutes for our products or in areas where we are developing product candidates or new indications for our existing products; and

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

Some of our products are generic pharmaceuticals, and they face strong competition from the originator drugs and other generic versions, which may be sold at lower prices and therefore put pricing pressure on our products. Certain of our products are first-to-market generic pharmaceutical products, and the protection or monitoring period, during which period the NMPA would not accept NDA for the same product or approve the production or import of the same product by other pharmaceutical companies, has lapsed. Therefore, other

pharmaceutical companies may obtain the relevant production approvals to sell generic pharmaceutical products with similar formulation or production processes in China, which could subject us to additional competition and adversely affect our business and results of operations. If we fail to protect our products from competition and remain competitive, our revenue and profitability may be materially and adversely affected.

Our products may also face increased competition from substitute products manufactured by overseas pharmaceutical companies that are seeking to access or further penetrate the PRC market. To the extent that our competitors' substitute products are, or are perceived to be, more clinically or cost effective than ours, or otherwise gain wider market acceptance than any of our pharmaceutical products, this could adversely affect our sales volumes and pricing levels for the relevant products. If pharmaceutical products manufactured overseas are perceived more favorably than products manufactured domestically in the PRC, it could erode our market share and have a material and adverse impact on our results of operations and prospects.

In addition, there may also be significant consolidation in the pharmaceutical industry among our competitors, or alliances developed among competitors that may rapidly acquire significant market share. If we fail to effectively compete with our competitors or adjust to structural changes in the pharmaceutical industry, our operations and profitability may be materially and adversely affected.

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

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

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

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

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

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

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

- misuses of our trademarks by our connected persons who are licensed to use such trademarks;
- the effects of counterfeit products purporting to be our products or the third-party products which we sell and/or promote;
- adverse associations with our products or the third-party products which we sell and/or promote, including with respect to their efficacy or side effects;
- improper or illegal conduct, or the perception or allegation of illegal conduct, by our employees, distributors, suppliers and third-party promoters, whether or not authorized by us;
- adverse publicity that is associated with us, our products, the third-party products which we sell and/or promote or our industry, whether founded or unfounded; and
- lawsuits and regulatory investigations against us, our employees, distributors or third-party promoters, or otherwise relating to our products or industry.

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

In addition, despite our internal guidelines and supervision efforts, our employees, distributors or third-party promoters may fail to follow such guidelines, which may adversely affect our sales and reputation. For example, our employees, distributors or third-party promoters may fail to provide accurate and complete information about our products, as a result of which hospitals, other medical institutions, doctors and patients may misunderstand or misuse our products. Such misunderstanding or misuse could result in our products being less effective, or cause severe adverse effects that could otherwise be avoided. As a result, the sales volume and reputation of our products could be adversely affected and we could be exposed to product liability lawsuits or regulatory investigations, resulting in penalties, fines or other disruptions to our operations.

If our products, or the third-party products that we sell and/or promote, are not produced to the necessary quality standards, our business and reputation could be harmed, and our revenue and profitability could be adversely affected.

Our products and manufacturing processes are required to meet certain quality standards. We have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. See "Business – Quality Control" for details of our quality control management system and standard operating procedures. Despite these quality control efforts, we may not be able to detect or cure product defects as a result of a number of factors, many of which are outside our control, including:

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

In addition, when we expand our production capacity in the future, we may not be able to ensure consistent quality between our products manufactured in our existing and new facilities without incurring substantial costs. Furthermore, if we acquire other pharmaceutical companies, we may not be able to immediately ensure that their production facilities and processes will meet our own quality standards.

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

In addition, we have limited control over the quality of the third-party products that we sell and/or promote. If such products are found defective, or are otherwise not produced to the necessary quality standards, our reputation and our business could be harmed, and we could be potentially exposed to liability, which may materially and adversely affect our results of operations.

If our products cause, or are perceived to cause, severe side effects, our revenue and profitability could be materially and adversely affected.

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

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

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including:

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

- stricter and more frequent regulatory inspections of our production facilities and products;

- removal of relevant products from any medical insurance catalogs, provincial lists of special medications related to the severe diseases insurance or the National Essential Drug List, as applicable;

- inability to participate in the centralized tender process; and

- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

The occurrence of any of the above could materially and adversely affect our business, results of operations and financial condition.

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

The nature of our business exposes us to the risk of product liability claims that is inherent in the developing, manufacturing and marketing of pharmaceutical products in the PRC and other jurisdictions in which we sell and/or promote pharmaceutical products, including products manufactured by third-party pharmaceutical companies. Such claims may arise if any of the products we sell and/or promote are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as improper or insufficient labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. Using product candidates in clinical trials also exposes us to product liability claims. There can be no assurance that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

PRC laws and regulations currently do not require us to, nor do we, maintain any product liability insurance to cover damages that may arise from product liability claims. If a product liability claim is brought against us, it may, regardless of merit or outcome, result in damage to our reputation, breach of contract with our customers, decreased demand for our products, costly litigation, product recalls and loss of revenue and capability to commercialize our products. If we are unable to defend ourselves against such claims in the PRC, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if the products we sell and/or promote are found to be defective. In addition, we may be required to recall the relevant products, suspend sales or cease sales. Other jurisdictions in which our products are, or may in the future be, sold, in particular in developed markets, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

If we fail to conduct effective promotion or maintain a qualified sales force, our sales and business prospects could be adversely affected.

Successful sales and marketing are crucial for us to increase the market penetration of our existing products, expand our coverage of hospitals, other medical institutions and pharmacies and promote new products in the future. However, we cannot assure you that our promotion and marketing activities will be adequate to support our future growth. If we are unable to increase or maintain the effectiveness and efficiency of our promotion and marketing activities, our sales and business prospects could be adversely affected.

In particular, our promotion and marketing efforts are anchored by academic marketing, through which our sales and marketing personnel promote our products to, and raise awareness and knowledge of our products and product candidates among, healthcare professionals, hospitals, other medical institutions and pharmacies. Therefore, the success of our marketing strategies depends on our ability to attract, motivate and retain a sufficient number of qualified sales and marketing personnel that possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, sufficient expertise in the relevant therapeutic areas and products as well as sufficient promotion and communication skills. Competition for experienced promotion, sales and marketing personnel is intense. If we are unable to attract, train and retain a sufficient number of qualified promotion, sales and marketing personnel, the sales volume of our products could be adversely affected and we may unable to continue to extend our market penetration and coverage of hospitals, other medical institutions and pharmacies as contemplated.

Moreover, under our agreements with third-party pharmaceutical companies to which we provide promotion services and/or from which we source certain pharmaceutical products that we sell and/or promote, and our collaboration agreements with some of our R&D partners, we are generally subject to annual minimum purchase, sales and/or promotion requirements specified in the relevant agreements. During the Track Record Period, there were two instances where we failed to meet the annual minimum requirements specified in the relevant promotion agreement or the distribution agreement (with promotion clause included) with third-party pharmaceutical companies. Although the third-party pharmaceutical companies are entitled to terminate the relevant agreements pursuant to the terms thereof, our business relationships continued in spite of such instances. For the first instance, we are in the process of finalizing the terms of compensation with the third-party pharmaceutical company and expect to pay RMB5.0 million for the shortfall, for which amount we have made provision in full. For the second instance, both parties have agreed to a reduced annual minimum requirement together with termination of our promotion rights in relation to certain specified medical institutions which our sales and distribution network did not effectively cover. Therefore, these instances did not have any material adverse effect on our business, results of operations and financial condition. However, we cannot assure you that such event will not happen in the future. In the event of our failure to meet any such requirement, we may face negative consequences, including compensation for the shortfall, adjustment to the scope of our promotion, distribution or commercialization rights and termination of agreements, which may materially and adversely affect our business, results of operations and financial condition.

If we fail to maintain, expand and optimize an effective distribution network for our products, our sales and business prospects could be materially and adversely affected.

As of June 30, 2020, we had a network of 616 distributors, which we rely on to distribute a substantial portion of our products. Our ability to maintain and grow our sales depends on our ability to manage, expand and optimize a distribution network that timely delivers our products across and outside of China where market demand for our products is generated through our promotion and marketing activities, or otherwise. However, our distributors are third parties over whom we have limited control and we cannot assure you that our distributors will always distribute our products in an effective manner. For example, if our distributors distribute our products outside their designated distribution areas as provided under their distribution agreements with us, the effectiveness of our distribution network could be adversely affected. Since our distributors generally do not sell our products on an exclusive basis, our products also compete with similar products from our competitors sold by our distributors.

In line with industry practice in China, we typically enter into distribution agreements with our distributors for a term of one year, which requires us to continually review distribution agreements across our distribution network in order to maintain the relationship with our distributors. As our existing distribution agreements expire, we may not be able to renew these agreements with our distributors on commercially acceptable terms or at all. Our distributors may elect not to renew their distribution agreements with us or otherwise terminate their business relationships with us for various reasons, including in the event that PRC pricing regulations or other factors substantially reduce the margins they can obtain through the resale of our products. In addition, we may not be able to establish business relationships with additional distributors to support the continued growth of our business. In the event that a significant number of our distributors terminate their relationships with us, or we are otherwise unable to maintain and expand our distribution network effectively, our business, results of operations and financial condition could be materially and adversely affected. Additionally, in the event that a significant number of our distributors cease or reduce their purchases of our products or fail to meet the terms in our distribution agreements, our business, financial condition and results of operations may be materially and adversely affected.

Development of new products, in particular innovative drugs, is time-consuming and costly and the outcome is uncertain. If we fail to develop and commercialize new products, our business prospects could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products, diversify our product offering and develop and commercialize new products through our research and development activities. The development process of pharmaceutical products, in particular innovative drugs, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new products.

There is an inherent risk of failure for each of our product candidates. We cannot predict when or if any of our product candidates will prove effective and safe for humans or will receive regulatory approval. Before obtaining regulatory approval from regulatory authorities for the sale of any product candidate, our product candidates must complete pre-clinical studies and we must then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, difficult to design and implement, and can take many years to complete. The outcomes of pre-clinical development testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, pre-clinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain regulatory approval of their product candidates. Since relatively few research and development projects in the pharmaceutical industry produce a commercially viable product, a product candidate that appears promising in the early phases of research and development may fail to be successfully commercialized for a number of reasons. For example:

- regulators, institutional review boards ("**IRBs**"), or ethics committees may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;

- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or we may decide to abandon product development projects;

- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials or fail to return for post-treatment follow-up at a higher rate than we anticipate;

- we may fail to conduct a companion diagnostic test to identify patients who are likely to benefit from our product candidates;

- we may elect to, or regulators, IRBs or ethics committees may require that we or our investigators suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements, undesirable side effects or unexpected characteristics, or a finding that participants are being exposed to unacceptable health risks;

- the cost of clinical trials of our product candidates may be greater than we anticipate;

- supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate;

- we may fail to obtain approvals for intended indications from relevant regulatory bodies, such as the NMPA;

- third parties may hold proprietary rights, such as patent rights related to our product candidates and they may refuse to sell or license such rights to us on reasonable terms, or at all or may include restrictive terms in their license; and

- there may be changes in the applicable regulatory framework, which may make our research and development process more time-consuming and costly. Please see "– We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may adversely affect our profitability or impose additional compliance burdens on us."

New pharmaceutical products must complete clinical trials and obtain the NMPA's approval before they can be produced, marketed and sold in China. The NMPA requires successful completion of clinical trials and demonstration of manufacturing capabilities before granting approval and it often takes several years before a medicine can be ultimately approved by the NMPA. In addition, the NMPA and other regulatory authorities may apply more stringent standards in reviewing the applications. Complying with existing or potential new standards may be time-consuming and expensive and could result in delays or preclude us from obtaining NMPA approval for our product candidates.

Even if we do obtain regulatory approvals, the process may take longer than expected, or such approvals may be subject to limitations on the indicated uses for which we may market the relevant product, therefore restricting its market size. Meanwhile, even if such products can be successfully commercialized, they may not achieve the level of market acceptance that we expect. Any of these circumstances could adversely affect our business, results of operations and growth prospects.

We experienced a decrease in our profitability for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. There can be no assurance that our profitability will not continue to decrease or we will be able to improve our profitability in the short-term.

Our net profit decreased by 59.9% from RMB461.0 million for the six months ended June 30, 2019 to RMB184.8 million for the six months ended June 30, 2020. The decrease was primarily due to (i) the outbreak of COVID-19 which resulted in a decrease in demand for pharmaceutical products in general, according to Frost & Sullivan; (ii) a decrease in sales of Bicun as a result of its exclusion from the latest version of the NRDL which came into force on January 1, 2020; (iii) an increase in research and development costs to support our continued R&D efforts; (iv) a decrease in sales of Endostar as a result of the decrease in its pricing level attributable to the national medical insurance pricing negotiation process for renewing its inclusion in the latest version of the NRDL; and (v) a decrease in sales of Softan and Jiebaili as Softan did not win in the bidding processes under the centralized volume-based drug procurement schemes, while Jiebaili was ineligible for bidding because it had yet to pass the consistency evaluation. Please see "Financial Information – Recent Developments on Our Financial Performance" for more details.

There can be no assurance that the above factors will cease affecting, or any additional factors will not in the future affect, our business and profitability. In particular, we have been investing heavily on our research and development efforts. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our research and development expenses accounted for 5.5%, 9.9%, 14.2% and 23.6%, respectively, of our total revenue for the same periods. We need to continue to invest significant resources, including financial resources, in research and development activities to enhance our existing products, diversify our product offering and develop and commercialize new products. As a result, we expect that our research and development expenses will continue to increase.

If we are not able to improve our profitability in the short-term, our financial performance, liquidity, financial position, business operations and prospects may be adversely affected and the investors will be exposed to high risk of investment in our Company.

Our CAR T-cell therapy candidates and TCR T-cell therapy candidates represent emerging approaches to cancer treatment that face significant challenges and hurdles in research and development, regulatory compliance, commercialization and clinical use.

We are currently collaborating with certain collaboration partners on the development and commercialization of three CAR T-cell therapy candidates, please see "Business – Our Product Portfolio – Our Product Pipeline – Innovative Product Pipeline – Oncology Product Candidates – 3. CD19 CAR T-cell Therapies" and "Business – Our Product Portfolio – Our Product Pipeline – Innovative Product Pipeline – Oncology Product Candidates – 4. BCMA CAR T-cell Therapy" for more details. We are also collaborating with a collaboration partner on the development and commercialization of a TCR T-cell therapy candidate. Development of such product candidates is still at early stage. As with other targeted therapies, off-tumor or off-target activity could delay development or require us to reengineer or abandon a particular product candidate. Because CAR T-cell therapies and TCR T-cell therapies represent a relatively new field of cell therapy and cancer treatment generally, developing and commercializing the relevant product candidates subject us to a number of risks and challenges, including:

- obtaining regulatory approval for CAR T-cell therapy candidates or TCR T-cell therapy candidates, as the NMPA and other regulatory authorities have limited experience with CAR T-cell therapies and TCR T-cell therapies for cancer;

- developing and deploying consistent and reliable processes for engineering a patient's T cells ex vivo and infusing the engineered T cells back into the patient;

- preconditioning patients with chemotherapy prior to infusing the CAR T-cell therapy candidates or TCR T-cell therapy candidates back into such patients, which may increase the risk of adverse side effects of such product candidates;

- triggering cytokine release syndrome and neurotoxic side effects during the in vivo amplification of CAR T-cell therapy candidates or TCR T-cell therapy candidates and in the process of killing tumor cells;

- sourcing clinical and, if approved, commercial supplies of the materials used to manufacture CAR T-cell therapy candidates or TCR T-cell therapy candidates;

- developing programming modules with the desired properties, while avoiding adverse reactions;

- creating viral vectors capable of delivering multiple programming modules;

- developing a reliable and consistent vector and cell manufacturing process;

- establishing manufacturing capacity suitable for the manufacture of CAR T-cell therapy candidates or TCR T-cell therapy candidates in line with expanding enrollment in our clinical studies and our projected commercialization requirements;

- achieving cost efficiencies in the scale-up of our manufacturing capacity;

- developing protocols for the safe administration of CAR T-cell therapy candidates or TCR T-cell therapy candidates;

- educating healthcare professionals regarding our CAR T-cell therapy candidates and TCR T-cell therapy candidates and the potential side effect profile thereof;

- establishing integrated solutions in collaboration with specialty treatment centers in order to reduce the burdens and complex logistics commonly associated with the administration of T cell therapies;

- establishing sales and marketing capabilities to successfully launch and commercialize CAR T-cell therapy candidates or TCR T-cell therapy candidates if and when we obtain the required regulatory approvals, and risks associated with gaining market acceptance of novel therapies if we receive approval; and

- the availability of coverage and adequate reimbursement for our novel and personalized therapies in connection with commercialization of any approved CAR T-cell therapy candidates or TCR T-cell therapy candidates.

We may not be able to successfully develop our CAR T-cell therapy candidates or TCR T-cell therapy candidates in a manner that will yield products that are safe, effective, scalable or profitable, nor can we assure you that we will be able to successfully commercialize such product candidates.

Additionally, because our CAR T-cell therapy candidates and TCR T-cell therapy candidates involve the genetic modification of patient cells ex vivo, we are subject to additional regulatory challenges and risks, including:

- regulatory requirements governing genetic and cell therapy products have changed frequently and may continue to change in the future. As of June 30, 2020, only two CAR T-cell therapy products that involve the genetic modification of patient cells have been approved outside of China, and none have been approved in China. As of June 30, 2020, none of TCR T-cell therapy products have been approved in China and abroad;

- genetically modified products in the event of improper insertion of a gene sequence into a patient's chromosome could lead to lymphoma, leukemia or other cancers, or other aberrantly functioning cells;

- although our viral vectors are not able to replicate, there is a risk with the use of retroviral or lentiviral vectors that they could lead to new or reactivated pathogenic strains of virus or other infectious diseases; and

- the FDA recommends a 15-year follow-up observation period for all patients who receive treatment using genetic therapies, and the NMPA also requires a long-term follow-up observation period for patients who receive treatment using cell therapies. Therefore, we need to adopt an observation period for our product candidates.

Moreover, public perception and awareness of cell therapy safety issues may adversely influence the willingness of subjects to participate in clinical trials of our product candidates, or if approved, of physicians to prescribe our products. Healthcare professionals and medical institutions often are slow to adopt new products, technologies and treatment practices that require additional upfront costs and training. Treatment centers may not be willing or able to devote the personnel and establish other infrastructure required for the administration of CAR T-cell therapies or TCR T-cell therapies. Physicians may not be willing to undergo training to adopt these novel and personalized therapies, may decide the therapies are too complex to adopt without appropriate training and may choose not to administer the therapies. Based on these and other factors, medical institutions may decide that the benefits of these new therapies do not or will not outweigh their costs.

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

We disclose in this prospectus our expectations or targets for the timing of certain milestones associated with our product development projects, including the anticipated regulatory approval for the manufacture and sale of our product candidates. After the Listing, as a publicly listed company, we may continue to make such disclosures of our expectations. However, the successful implementation of our product development projects is subject to

significant business, economic and competitive uncertainties and contingencies, including, product development risk, the availability of funds, competition and grant of relevant approvals and permits, which we will re-evaluate from time to time based on the government regulations and policies as well as the continued growth of the pharmaceutical market.

The actual timing for achieving product development milestones could vary significantly from our expectations due to a number of factors, many of which are outside our control, including delays or failures in our pre-clinical studies or clinical trials, failure to maintain, renew or establish new relationships with actual or potential research and development partners, the approval process for new pharmaceutical products in the PRC and the uncertainties inherent in that regulatory approval process and delays in achieving manufacturing or marketing arrangements sufficient to commercialize our product candidates. There can be no assurance that our pre-clinical studies or clinical trials will be completed as planned or at all or that we will make regulatory submissions or receive regulatory approvals as planned or that we will be able to adhere to our current schedule for the launch of any of our products candidates. If we fail to achieve one or more of these expected product development milestones as planned, the price of our Shares and our business prospects may be adversely affected.

According to the "Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation" (《關於鼓勵藥品創新實行優先審評審批的意見》) (the "**Prioritized Evaluation and Approval Opinions**"), which was promulgated and implemented on December 21, 2017 by the NMPA, the NMPA conducts priority review and approval for new drug registration applications that meet specific requirements.

The Prioritized Evaluation and Approval Opinions has been replaced by three documents issued by the NMPA on July 7, 2020, namely, the "Evaluation Procedures for Breakthrough Therapeutic Drugs (Trial)" (《突破性治療藥物審評工作程序(試行)》), the "Evaluation and Approval Procedures for Conditional Approval of Drug Application (Trial)" (《藥品附條件批准上市申請審評審批工作程序(試行)》) and the "Prioritized Evaluation and Approval Procedures for Drug Approval (Trial)" (《藥品上市許可優先審評審批工作程序(試行)》). These newly-issued documents stipulate that for innovative or imported drug candidates intended for prevention or treatment of fatal diseases, applicants may apply for the evaluation procedures for breakthrough therapeutic drugs before the initiation of phase III clinical trials, provided that there are no effective prevention or treatment options for such fatal diseases or such drug candidates demonstrate superior clinical advantages over the existing prevention or treatment options. In addition, these newly-issued documents provide that applicants may apply for the prioritized evaluation and approval procedures for drug candidates with apparent clinical value. There can be no assurance that any of our product candidates, will be eligible to file for special evaluation and approval procedures or such procedures may lead to faster development or regulatory review or approval process. Moreover, even if any of our product candidates are eligible to file for special evaluation and approval procedures, such designation may not increase the likelihood that our product candidates will receive regulatory approval and we cannot assure you that we will be able to maintain these designations, in which case our business and results of operations may be materially and adversely affected.

We rely on third parties to monitor, support and/or conduct pre-clinical studies and clinical trials of our product candidates. If these third parties do not successfully carry out their contractual obligations or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.

We have relied on and plan to continue to rely on third-party CROs, hospitals and clinics which are beyond our control to monitor, support and/or conduct pre-clinical studies and clinical trials of our product candidates. Nevertheless, we are responsible for ensuring that each of such studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs, hospitals and clinics does not relieve us of our regulatory responsibilities. We, our CROs and our investigators are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA and other comparable regulatory authorities for all of our product candidates. If we or any of our CROs or investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and non-clinical research. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they or our investigators obtain is compromised due to 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 product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding additional CROs involves additional cost and delays, which can materially influence our ability to meet our desired clinical development timelines. There can be no assurance that we will not encounter any such challenges or delays in the future or that these delays or challenges will not have a material adverse effect on our business, financial condition and prospects.

We have entered into collaboration arrangements for the development and commercialization of our product candidates, and may continue to form or seek collaborations in the future, and we may not realize the benefit of such collaborations.

As an essential component of our research and development model, we have entered into long-term collaboration arrangements with leading domestic and international pharmaceutical companies and biotechnology companies to co-develop or in-license innovative and high end generic drug candidates that have high potential for commercialization in China. Please see "Business – Research and Development – Collaboration with Research and Development Partners." Any of these relationships may require us to incur non-recurring and other charges or increase our near and long-term expenditures.

In addition, we face significant competition in seeking appropriate research and development partners and the negotiation process is time-consuming and complex. If and when we collaborate with a third party for development and commercialization of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third party. For any product candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biopharmaceutical companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

Further, collaborations involving our product candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;

- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization projects based on clinical trial results, changes in their strategic focus due to the acquisition of competitive drugs, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials, or require a new formulation of a product candidate for clinical testing;

- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our product candidates;

- collaborators may not properly obtain, protect, maintain, defend or enforce our intellectual property rights 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 our intellectual property or proprietary information or expose us to potential liability;

- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our product candidates, or that result in costly litigation or arbitration that diverts management attention and resources;

- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates; and

- collaborators may own or co-own intellectual property covering our product candidates that results from our collaboration with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, we may not be able to realize the benefit of current or future collaborations if we are unable to successfully integrate them 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 research and development collaboration, we will achieve the revenue or specific net income that justifies such collaboration. 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 product 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 product candidates or bring them to market and generate revenue, which would harm our business prospects, financial condition and results of operations.

If our employees, distributors or third-party promoters engage, or are perceived to engage, in misconduct or breaches, including corrupt practices, inappropriate promotion of our products or the third-party products that we sell and/or promote, or leakage of confidential information, our business and reputation could be harmed and we could be exposed to regulatory investigations, penalties or other negative consequences.

We have limited control over the interactions our employees, distributors and third-party promoters have with hospitals, other medical institutions, pharmacies and healthcare professionals, and they may try to increase sales volumes of our products or the third-party products through means that constitute violations of anti-corruption and other related laws in the PRC and other relevant jurisdictions. There have been several instances of corrupt practices in the pharmaceutical industry recently, including, among other things, acceptance of kickbacks, bribes or other illegal gains or benefits by hospitals, other medical institutions and healthcare professionals from pharmaceutical manufacturers, distributors and retail pharmacies in connection with the procurement or prescription of pharmaceutical products. Any allegations of such behavior against us, our employees, distributors or third-party promoters or the pharmaceutical industry in general could generate negative publicity and materially and adversely affect our reputation, sales activities and business prospects. There were in the past some limited instances of allegations of misconduct against us, which, although were proven to be untrue, had an adverse effect on our reputation and sales. For example, in December 2016, the local healthcare administrative authority ordered the temporary suspension of sales of Softan (10 mg) to public medical institutions in Hunan Province due to an alleged kickback arrangement. Sales of Softan (10 mg) to public medical institutions in Hunan Province were permitted to be resumed in July 2018 pursuant to a notice by the local healthcare administrative authority and neither we nor our relevant employee was subject to the imposition of any penalty or subject to notification of any breach in respect of non-compliant sales practices. If our employees, distributors or third-party promoters engage in corrupt or other improper conduct that result in violation of applicable anti-corruption laws in the PRC or other jurisdictions, our reputation could be severely harmed, and our sales activities could be materially and adversely affected.

While we have implemented specific measures against corruption and bribery, there can be no assurance that we were or are able to entirely prevent our employees, distributors or third-party promoters from engaging in such activities in the past or in the future. We could be held liable for actions taken by our employees, distributors or third-party promoters, which could expose us to regulatory investigations, penalties, revocation of operating licenses and permits, and even criminal liabilities. Actions taken by PRC regulatory authorities or the courts that provide an interpretation of PRC laws and regulations that differs from our interpretation or that adopt additional anti-bribery, anti-corruption laws and regulations could also require us to make changes to our operations.

Pursuant to the "Provisions on the Establishment of Adverse Records of 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》), which was promulgated by the NHFPC on December 25, 2013, and came into effect on March 1, 2014, if we are involved in criminal, investigational or administrative procedures for commercial bribery, we will be listed in the adverse records of commercial briberies by the relevant government authorities, as a result of which, for two years from the date the list of adverse records of commercial briberies is published, (i) our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies within the relevant provinces, and (ii) the scores of our products in the centralized tender processes of public medical institutions or medical and health institutions receiving financial subsidies in other provinces will be reduced. Furthermore, if we are listed in the adverse records of commercial briberies twice within five years, our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years from the date the list of adverse records of commercial briberies is published. See "Regulatory Overview – Laws and Regulations Relating to Anti-unfair Competition" for more details.

In addition, we are required to comply with anti-corruption and confidentiality requirements in our agreements with our business partners, including certain collaboration partners and manufacturers of third-party products. Any breach of such anti-corruption or confidentiality requirements by us may result in negative consequences, including payment of penalties and termination of agreements, which could have a material adverse effect on our business, financial condition, results of operations and profitability.

Moreover, our business may be materially and adversely affected if our business partners breach confidentiality requirements, or if our employees breach the non-disclosure, non-compete and non-solicitation clauses in their employment agreements.

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

A substantial majority of our revenue has been, and in the near future will continue to be, generated by sales of products produced at our five production facilities. The continued operation of our production facilities and our production safety can be substantially interrupted and materially and adversely due to a number of factors, many of which are outside our control, including fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars or other natural disasters, as well as loss of licenses, certifications and permits, changes in governmental planning for the land underlying these facilities or their vicinity and regulatory changes.

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

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

We plan to increase our production capacity by constructing new production facilities, new production workshops and new production lines. Please see "Business – Production – Production Facilities – Expansion Plan" for more details. However, our ability to successfully implement our expansion plan for increasing our production capacity is subject to a number of risks and uncertainties, including, but not limited to, our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new production facilities, production workshops and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to timely recruit sufficient qualified staff to support the increase in our production capacity. Consequently, there can be no assurance that we will be able to increase our production capacity in the manner we contemplate, or at all. In the event we fail to increase our production capacity, we may not be able to capture the potential growth in demand for our products, or to successfully commercialize the product candidates in our pipeline, each of which could adversely affect our results of operations and business prospects. Moreover, our plans to increase our production capacity require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could adversely affect the return on our expenditures. Our expansion plans may also increase our operating costs, such as higher staff costs as well as depreciation and utility costs, which may adversely affect our results of operations and financial condition.

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

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

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

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

We depend on the supply of certain raw materials and pharmaceutical products, and a decrease in the supply, or an increase in the cost, of raw materials, or any shortage or delay in the supply of pharmaceutical products, could severely disrupt our business as well as materially reduce our revenue and profit.

We source certain of our raw materials, including APIs and packaging materials, from third-party suppliers. Please see "Business – Production – Raw Material Suppliers and Procurement." Cost of raw materials accounted for a significant portion of our total cost of sales during the Track Record Period. We cannot assure you that we will be able to renew our agreements with our existing suppliers when they expire or to enter into new supplier relationships to support the continued growth of our business. In addition, we typically do not enter into long-term supply agreements with raw material suppliers and as a result are vulnerable to supply shortages and fluctuations in market prices.

The availability and prices of these raw materials may be impacted for various reasons that are beyond our control, such as unexpected increases in demand for such raw materials from producers of substitute products, adverse weather conditions, occurrence of natural disasters, regulatory actions, deteriorating financial conditions or cessation of business of the suppliers and labor shortages. In the event that any of our suppliers fails to continue to supply us with sufficient quantities of raw materials of an acceptable quality in the future, we may be

unable to obtain substitute raw materials elsewhere in a timely manner, or at all. We may also be forced to obtain raw materials from different suppliers, who may require us to pay prices that are not commercially reasonable or may provide us with raw materials that are not of an acceptable quality. Although we have not experienced interruptions in our raw material supplies in the past, any potential interruption in our supply of raw materials could delay the production and delivery schedules of the relevant products, which may result in the loss of customers and revenue. Also, the market prices of raw materials may be subject to significant fluctuations. We cannot assure you that we would be able to pass on any increase in raw material costs to our customers, and any substantial fluctuation in market prices of raw materials may materially increase our costs and impact our profitability.

Moreover, we rely on third-party pharmaceutical companies to which we provide promotion services and/or from which we source third-party products to manufacture and supply certain pharmaceutical products that we sell and/or promote. In addition, pursuant to the collaboration arrangement with some of our R&D partners, such as BMS and Amgen, upon obtaining applicable regulatory approvals, they will manufacture and supply the relevant products to us for our commercialization. We have limited control over the manufacture process, delivery arrangement and supply chain management of these third-party pharmaceutical companies and R&D partners. In particular, the occurrence of any industry downturn, natural disaster or catastrophic event could interrupt their manufacturing or delivery of the relevant products, resulting in inadequate or delayed supply to us or to our designated distributors. Any potential inadequate or delayed supply may force us or our designated distributors to deliver the relevant products on a delayed basis, cancel product orders or cease product offering. Consequently, our results of operations could be adversely affected, our reputation and our relationships with our distributors and direct sales customers could be harmed, and we could be potentially exposed to litigation and damage claims. Besides, our business may be materially and adversely affected if these third-party pharmaceutical companies or R&D partners distribute the relevant products in our designated geographic areas in violation of the terms of our agreements with them.

We may not be able to successfully complete any further acquisitions or enhance post-acquisition performance, which could adversely affect our business prospects.

We may make acquisitions when appropriate opportunities arise in the future. However, our ability to successfully consummate any future acquisitions is subject to various risks and uncertainties, including:

- failure to identify suitable acquisition targets or have to engage in intense competition for attractive acquisition targets, which may make it difficult to complete such acquisitions on commercially acceptable terms or at all;

- failure to obtain sufficient financing on acceptable terms or at all, to fund such acquisitions; and

- failure to obtain or secure regulatory approvals and third-party consents necessary to consummate such acquisitions.

Even if we are able to consummate any acquisitions, our ability to grow our business through any recently completed or future acquisitions remains subject to further risks and uncertainties which could materially and adversely affect our business, financial condition and results of operations, including that:

- we may fail to successfully integrate the acquired businesses with our existing business and operations;
- we may fail to effectively manage a larger, growing business, operating in new therapeutic areas or geographic regions;
- the acquired businesses do not provide us with the intellectual property rights, technology, R&D capability or production capability we had anticipated;
- the acquired businesses are subject to unforeseen or hidden liabilities; and
- the acquired businesses do not generate the revenue and profitability we had anticipated.

If we are unable to consummate acquisitions and successfully grow our business through any future acquisitions, our business and prospects could be adversely affected.

Furthermore, the process of pursuing and consummating acquisitions as well as integrating and managing acquired businesses, whether or not successful, could divert our resources and management attention from our existing business and impair our ability to successfully manage and grow our business organically.

If counterfeits of our products become available in the market, it could negatively affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims.

Certain products distributed or sold in the pharmaceutical markets in the PRC and overseas may be manufactured without proper licenses or approvals or are fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as the PRC, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products, including counterfeits of our products.

Since counterfeit pharmaceutical products in many cases are very similar in appearance to the authentic products but are generally sold at lower prices, counterfeits of our products can quickly erode our sales volume of the relevant products. Moreover, counterfeit products may or may not have the same chemical composition as our products do, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The appearance of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in the pharmaceutical market from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in the PRC or other relevant markets among consumers, and may harm the reputation and brand names of companies like us, particularly in overseas markets. Similarly, consumers may buy counterfeits of products that are in direct competition with our products, which may materially and adversely affect the sales volumes of our products and adversely affect our business, financial condition, results of operations and prospects.

Although certain products available on the market might be similar in appearance to our products, we are not aware of any instances of counterfeits of our products. However, we cannot assure you that we will be able to prevent occurrences of counterfeits of our products or such counterfeits, if any, will not have a material adverse effect on our business, results of operations and financial condition.

In addition, any negative publicity relating to counterfeit products concerning us, any other company in the pharmaceutical industry in China or in general, even if untrue, could materially and adversely affect our reputation, business, results of operations and financial condition.

Failure to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more directly, which may have a material adverse impact on our business and results of operations.

Our intellectual property, including but not limited to our patents, trademarks, trade secrets and know-how, is critical to our success. Please see "Business – Intellectual Property Rights" and "Appendix V – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual property rights of our Group" for more details about our material intellectual property rights. We protect our intellectual property rights by filing patent and trademark applications, securing pharmaceutical regulatory protection, establishing and enforcing confidentiality contractual obligations, relying on trade secrets or employing a combination of these methods. However, these measures may not be adequate for a number of reasons, including those described below, some of which are beyond our control.

We apply for patents for all of our innovative pharmaceutical products. There are a number of risks and uncertainties related to our patents and patent applications:

- The process of seeking patent protection in the PRC can be lengthy and expensive, and there is no assurance that any of our pending or potential future patent applications will mature into issued patents, or that such patents, if issued, will provide us with adequate proprietary protection or competitive advantages;

- The PRC has adopted a first to file system for patent applications, under which whoever files an application for the same invention first will be awarded the patent. As a result, a third party may be granted a patent relating to a technology we believe we invented before we are able to obtain such patent;

- Our existing patents may become invalid or unenforceable for a number of reasons, including known or unknown prior art, deficiencies in patent applications and lack of originality in the underlying technologies. Certain of our patented technologies are utilized in a number of our products and product candidates and if the patents relevant to these technologies were to be declared invalid or unenforceable, it could have an adverse impact on the sales volumes and pricing levels for such products and our ability to successfully commercialize such product candidates;

- The patents and patent applications for certain products in our product portfolio and certain product candidates we intend to develop do not cover the underlying APIs. Therefore, such patents may be insufficient to protect us from the development of substitute products by competitors, who may be able to do so by designing around our products using the same APIs. In addition, patents covering preparation methods and formulation may not create sufficient technical barriers to prevent other pharmaceutical developers from developing substitute products; and

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

We also rely on trademarks, trade secrets and other intellectual property rights to protect our product candidates, products and technologies. However, our efforts to defend our intellectual property rights may be unsuccessful and we may not have adequate remedies for any breach.

Moreover, intellectual property rights and confidentiality protection in China may not be as effective as in the United States or other developed countries, due to, among other causes, lack of procedural rules for discovery and evidence, low damage awards and lack of judicial independence. Detecting and policing unauthorized use of proprietary technology are difficult

and expensive, and we might need to resort to litigation to enforce or defend our intellectual property rights or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of PRC courts in handling intellectual property litigation vary, and outcomes may be unpredictable. Furthermore, such litigation may require significant expenditures and management efforts. An adverse determination in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation.

If we fail to adequately protect our intellectual property for any of the above or other reasons, competitors may be able to imitate or copy our products, use our technologies and erode or negate any competitive advantages we may have, which could harm our business and ability to achieve profitability.

We may become subject to intellectual property infringement claims, which could divert our management's attention, expose us to substantial liability, harm our reputation, limit our research and development or other business activities and/or impair our ability to commercialize our product candidates.

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

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

If we are found to infringe on a third party's intellectual properties, and we are unsuccessful in demonstrating that such patents are invalid or unenforceable, one or more of the following may occur:

- we may have to reformulate the affected product(s) so that it does not infringe the intellectual property rights of others, which may not be possible or could be very costly and time-consuming;

- we may be forced to discontinue production and sales of the affected product(s) or cease developing and commercializing the affected product candidate(s); and

- we may be required to obtain royalty-bearing licenses from such third party to such patents, which may not be available on commercially reasonable terms, or at all, and even if we were able to obtain such licenses, they could be non-exclusive, thereby giving our competitors and other third-parties access to the same technologies licensed to us, and could require us to make substantial licensing and royalty payments.

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

Claims that we have misappropriated the confidential information or trade secrets of third parties could have a material adverse effect on our business, financial condition, results of operations, and prospects. Even if we are successful in litigation or administrative proceedings, such litigation and proceedings may be costly and could result in a substantial diversion of management resources. If any of the foregoing events occurs, our business may be materially and adversely affected.

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

Our pharmaceutical manufacturing process involves the handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. We are subject to PRC laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substances during our manufacturing processes, and may become subject to similar laws, rules and regulations in other jurisdictions in the future. In addition, we are required to obtain clearances and authorizations from relevant PRC government authorities for the treatment and disposal of such discharge. The costs for complying with

existing and future environmental laws, rules and regulations, and the liabilities which may potentially arise from the discharge of effluent water and solid waste as well as the disposal of hazardous substances, may increase our total costs and adversely affect our profitability. There can be no assurances that we will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our production facilities and obligations to take rectification measures, which in turn, may materially and adversely affect our business, financial condition and results of operations. We may face civil liability for any alleged personal injury or property damage due to exposure to compounds or other hazardous substances at our production facilities or compounds which we otherwise produce or handle. Such claims can be substantial and could in the future materially and adversely affect our business, results of operation and financial condition.

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

If we become a party to litigations, legal disputes, claims or administrative proceedings, such involvement may divert our management's attention and result in costs and liabilities and damage our reputation.

We may from time to time become a party to various litigations, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. Ongoing litigations, legal disputes, claims or administrative proceedings may divert our management's attention and significantly consume our other resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which initially do not appear to be of material importance may escalate due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Negative publicity arising from litigations, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our overseas investments may be subject to laws, regulations and policies, as well as changes thereof, in the PRC and the corresponding jurisdictions, which may materially and adversely affect our business, financial condition, results of operations and prospects.

In the United States, the Committee on Foreign Investment in the United States (the "**CFIUS**") has broad authority to review foreign investments to assess whether such investments pose national security risks. If CFIUS identifies national security risks, it is authorized to impose mitigation measures or to recommend to the President that the transaction be blocked. Some foreign investments in U.S. businesses are subject to a mandatory filing requirement, including certain investments in U.S. businesses working with "critical technologies." The term "critical technologies" means technologies subject to certain U.S. export controls, including "emerging technologies." Certain biotechnologies are subject to U.S. export controls, and the U.S. Commerce Department is currently engaged in a rulemaking process regarding "emerging technologies" that could result in additional biotechnologies being controlled for export.

In 2019, we established our Boston R&D center in Massachusetts, United States, which primarily focuses on innovative and advanced therapies, particularly cell therapy. Future investments in unaffiliated U.S. businesses may be subject to CFIUS jurisdiction and the mandatory filing requirement. If we determine that a CFIUS filing is not mandatory, it may be advisable to seek CFIUS review of such future investments voluntarily, because transactions within CFIUS jurisdiction that are not cleared by CFIUS are at risk of CFIUS review at any time, including post-closing. If CFIUS were to identify national security concerns with any of our future investments in the United States, CFIUS could impose mitigation conditions or recommend that the President block the transaction. Therefore, our ability to invest in U.S. entities and opportunities to acquire technologies and assets that are material to our business operations may be materially and adversely restricted, and we may fail to benefit from the research and development achievements of our Boston R&D center as contemplated. In addition, the imposition of new U.S. export controls on biotechnologies subject to U.S. jurisdiction may adversely affect our ability to export or transfer technologies developed by our Boston R&D center outside the United States.

In addition, we also have a subsidiary in Finland for the maintenance of our exportation licenses, permits and certificates. Any adverse changes of laws, regulations or policies in such jurisdiction could impose additional operating burdens on us, such as increased staff costs and additional investments, which may adversely affect our ability to operate in such jurisdiction on a commercially reasonable basis. Consequently, our business, results of operations and financial condition could be adversely affected. Our limited experience in overseas markets may also expose us to risks and uncertainties, including risks associated with dealing with laws, regulations, government policies, regulatory regimes and regulatory bodies with which we may be unfamiliar, especially those in connection with tax, labor and insurance.

Moreover, overseas investments of our PRC subsidiaries are also subject to the relevant PRC laws and regulations. If our PRC subsidiaries fail to obtain approvals or make filings, or are otherwise found to be non-compliant with any applicable laws and regulations, they may face warnings, penalties, withdrawal of approvals or filings, suspension of investments and even criminal liabilities, any of which could materially and adversely affect our business, financial condition and results of operations.

Our business depends substantially on our senior management team and other key personnel, and our business may be adversely disrupted if we lose and are unable to replace their services.

Our success depends heavily upon the continued services of our senior management team, key research and development personnel and key sales and marketing personnel. In particular, the industry experience, management expertise and contributions of our Executive Directors and other members of our senior management team are crucial to our success. Our research and development personnel is critical to the development and commercialization of our products and realization of the potential benefits of our intellectual property. In addition, success in the sales, marketing and distribution of our products depends on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness.

We do not maintain any key person insurance. If we lose the services of one or more of our key personnel, we may not be able to locate suitable or qualified replacements in a timely manner, or at all, and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. In addition, if any member of our key personnel joins a competitor or forms a competing business, we may lose know-how, trade secrets and customers.

Moreover, our future success and ability to continue to grow our business will depend in part on our ability to identify, attract and retain additional qualified personnel. We compete for qualified personnel with other pharmaceutical companies, universities, research institutions and other organizations. Competition for these personnel is intense, and the availability of suitable and qualified candidates in China is limited, which could cause us to offer higher compensation and other benefits in order to attract and retain them, and consequently increase and in turn, materially and adversely affect our financial condition and results of operations. If our recruitment and retention efforts are unsuccessful in the future, our business prospects could be adversely affected.

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

We generally grant credit terms ranging from 30 days to 90 days to our distributors. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our trade and bills receivables were RMB698.0 million, RMB951.3 million, RMB1,336.9 million and RMB1,651.5 million, respectively. The average turnover days of our trade receivables for the same periods were 27.4 days, 33.1 days, 54.9 days and 105.7 days, respectively. If our distributors' cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial

defaults or delays by our distributors could materially and adversely affect our cash flows, and we could be required to terminate our relationships with such distributors, which may impair the effective distribution of our products.

If we do not have access to sufficient funding for the implementation of our strategies and other aspects of our business, our business prospects could be adversely affected.

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

- the expenses associated with expanding our sales and distribution network;
- the costs of research and development projects for the expansion and diversification of our product portfolio;
- the funding required to consummate acquisitions and integrate acquired businesses; and
- the capital expenditure required to increase our production capacity and to upgrade and enhance our facilities.

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

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

Our insurance coverage is limited; if we experience uninsured losses, it could adversely affect our financial condition and results of operations.

Our insurance coverage is limited, and we do not maintain product liability insurance or key person insurance. Please refer to "Business – Insurance" for further details of our insurance coverage. If we experience product liability claims or disruptions to our business, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, health or public security hazards, earthquakes, typhoons, flooding and other natural disasters, as for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose

all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

Preferential tax treatment and financial subsidies we have enjoyed may change or discontinue, which may have an adverse effect on our financial condition and results of operations.

Our PRC subsidiaries are subject to the statutory EIT rate of 25%, except Hainan Simcere, Shandong Simcere, Wuhu Simcere and Simcere Pharmaceutical. During the Track Record Period, Hainan Simcere, Shandong Simcere, Wuhu Simcere and Simcere Pharmaceutical were recognized as "high and new technologies enterprises" by the local government authorities and thus were entitled to a preferential EIT rate of 15%. Their recognition as "high and new technology enterprises" needs to be renewed in 2020 or 2021, and we cannot assure you that they will be able to successfully renew it in the future.

We have historically received unconditional government subsidies for our technology innovation and contribution to the local economy and conditional government subsidies for the construction and relocation of production facilities as well as for encouragement of our research and development projects. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we recorded government grants of RMB52.3 million, RMB47.0 million, RMB65.9 million and RMB32.5 million, respectively, in our consolidated statements of profit or loss. See "Financial Information – Description of Key Statements of Profit or Loss Items – Other Revenue and Other Net (Loss)/Gain" for further details. These financial subsidies have been given at the discretion of the local government authorities.

There can be no assurances that we would continue to enjoy these preferential tax treatment or financial subsidies at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

The fair value measurement of certain of our assets is subject to significant uncertainties and risks and the fair value change of such assets may materially and adversely affect our results of operations.

During the Track Record Period, we recorded certain financial assets at fair value through profit or loss, which mainly included investments in short-term structured deposits and wealth management products as well as investments in units in investments funds and equity securities of private companies. Please see "Financial Information – Certain Balance Sheet Items – Financial Assets at Fair Value through Profit or Loss and Trading Securities" for more details. We recorded net realized and unrealized losses on financial assets at fair value through profit or loss of RMB166.5 million in 2017 and net realized and unrealized gains on financial assets at fair value through profit or loss of RMB81.7 million, RMB20.2 million and RMB13.3 million, respectively, in 2018, 2019 and the six months ended June 30, 2020.

The fair value of these assets was determined by various applicable valuation techniques, including, among others, discounted cash flows approach and comparable transactions approach. Major assumptions used in the valuation include discount rate and discount for lack of marketability and changes in these major assumptions could materially affect the respective fair value of these assets. This means that our valuations of relevant financial assets are based on unobservable inputs and our own assumptions about how market participants would price the financial asset in question. Inputs into the determination of fair value of these financial assets require significant management judgment or estimation. Such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these financial assets existed. Our financial position and results of operations could be adversely affected if our determinations turn out to be inaccurate.

In addition, the inherent uncertainties and risks associated with investment in investment funds and private companies may affect the fair value of our financial assets. Unsatisfactory results of operations of these investment funds or private companies for a prolonged period, failure to achieve our intended objectives or benefits in making these investments, or other negative market or industry conditions may result in significant decreases in the value of our financial assets, which in turn may materially and adversely affect our results of operations and financial condition.

Our high gearing ratio, net current liabilities and negative operating cash flow position expose us to liquidity risk.

During the Track Record Period, we relied significantly on bank borrowings to finance our business operations. We expect that we may continue to do so in the future. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our outstanding bank loans amounted to RMB1,153.1 million, RMB2,057.3 million, RMB2,783.1 million and RMB3,480.4 million,respectively, and our gearing ratio was 74.0%, 148.1%, 198.7% and 201.1%, respectively. Our high gearing ratio may adversely affect our liquidity and business operations, including but not limited to (i) increase our vulnerability under adverse economic or industry condition; (ii) limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate; (iii) potentially restrict us from pursuing strategic business opportunities; (iv) limit our ability to raise more debt; and (v) increase our exposure to interest rate fluctuation. In addition, we recorded net current liabilities of RMB445.8 million, RMB530.9 million and RMB257.2 million as of December 31, 2018 and 2019 and June 30, 2020, primarily due to our high level of current portion of bank loans of RMB1,979.3 million, RMB1,644.0 million and RMB2,279.2 million, respectively.

The high gearing ratio and net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, results of operations and financial condition could be materially and adversely affected.

In addition, we recorded net cash used in operating activities of RMB227.7 million for the six months ended June 30, 2020. Our operating cash outflow was primarily due to (i) a decrease in our sales; (ii) the prolonged settlement of trade receivables by our customers in light of the COVID-19 outbreak; and (iii) increased research and development costs to support our continued R&D efforts. For details, see "Financial Information – Liquidity and Capital Resources – Cash Flows – Operating Activities." We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred tax assets, which could have a material adverse effect on our results of operations.

We had deferred tax assets of RMB252.8 million as of June 30, 2020. We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred tax assets were recognized, our ability to recover such deferred tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

We have recognized a large amount of goodwill. If our goodwill was determined to be impaired, it could adversely affect our results of operations and financial position.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recorded goodwill of RMB142.5 million, RMB142.5 million, RMB142.5 million and RMB172.8 million, respectively. Goodwill represents the excess of (a) the aggregate of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the equity interest in the acquiree previously held by the Group over (b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

We do not amortize goodwill, but we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing as of December 31, 2017, 2018 and 2019 and June 30, 2020, goodwill has been allocated to the operations of BCY Pharm and our remaining business (the "**pharmaceutical business**") as individual cash-generating units of our Group. The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Please see "Financial Information – Critical Accounting Policies and Estimates – Estimated Impairment of Goodwill" for more details. We did not record any impairment charge on goodwill in 2017, 2018 and 2019, and our Directors concluded that there was no impairment indicator of goodwill as of June 30, 2020.

In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. This analysis further requires us to make assumptions about compounded revenue growth rates, cost and operating expense as a percentage of revenue, useful life of the goodwill, long-term growth rates and pre-tax discount rates. There are inherent uncertainties relating to these factors and our management's judgment in applying these factors to the assessment of goodwill recoverability. However, we cannot assure you that our assumptions will prove to be correct. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators. Our estimates of the projected cash flows from BCY Pharm and pharmaceutical business may be susceptible to downward revision as a result of factors that have adverse effects, or under circumstances where we fail to sustain the growth we have estimated. If we were required to recognize impairment charges, they could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges could negatively affect our financial ratios, limit our ability to obtain financing and adversely affect our financial position.

We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had intangible assets (other than goodwill) of RMB65.9 million, RMB49.3 million, RMB33.8 million and RMB86.3 million, respectively, which consisted of developed technology, GSP licenses and product trademarks. After initial recognition, we determine whether these intangible assets are impaired at the end of each reporting period if events or changes in circumstance indicate that the carrying amount of these assets exceeds their recoverable amount. As a result, our evaluations in the future on these intangible assets may result in material impairment charges that would have a material adverse impact on our results of operations and potentially the price of our Shares.

We are subject to liquidity risk in our interests in associates and a joint venture and if our associates and joint venture do not perform as expected or do not generate sufficient revenue in any financial period, our financial condition or results of operations could be materially and adversely affected.

Our share of losses of associates amounted to RMB1.6 million, RMB8.1 million and RMB4.4 million for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our share of losses of a joint venture amounted to RMB0.1 million and RMB40,000 for the year ended December 31, 2019 and the six months ended June 30, 2020, respectively. Our interests in associates and a joint venture may not guarantee a share of profits, and any loss incurred by such associates and joint venture shall be apportioned among our Group and other investors. If our associates and joint venture do not perform as expected or do not generate sufficient revenue in any financial period, our return of interests in our associates and joint venture, and our financial condition or results of operations, could be materially and adversely affected.

In addition, our interests in associates and a joint venture are subject to liquidity risk. Our interests in the associates and joint venture are not as liquid as other investment products as there is no cash flow until dividends are received even if our associates and joint venture reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint venture in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint venture for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. Therefore, the illiquid nature of our interests in associates or a joint venture may significantly limit our ability to respond to adverse changes in the performance of our associates and joint venture. In addition, if there is no share of results or dividends from our associates or joint venture, we will also be subjected to liquidity risk and our financial condition or results of operations could be adversely affected.

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

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

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

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

Any technological failure, security breach or other disruptions in our information systems, or those used by our current and future CROs, collaborators or other business partners may adversely affect our business operations.

Our information systems and those of our current and future CROs, collaboration partners or other business partners may become vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such material system failure, or accident, and are unaware of any security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption to our development projects and our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. For example, the loss of data from completed or future pre-clinical studies or clinical trials could result in significant delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. 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, our competitive position could be harmed and the further development and commercialization of our product candidates could be significantly delayed.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, SARS, Ebola, Zika, COVID-19 or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations.

For example, there has been an outbreak of COVID-19. The disease quickly spread within the PRC and globally and materially and adversely affected the global economy. Many hospitals in China allocated significant resources to contain COVID-19, and patients suffering from other diseases generally avoided going to hospitals in order to prevent being infected. As a result, the demand for our products and third-party products we sourced from third-party pharmaceutical companies decreased and some of our distributors reduced their purchases in response to the lowered demand. Meanwhile, pharmacies were not allowed to sell antibiotics, antipyretics and antitussives during the COVID-19 prevention and control period, which had an adverse impact on our sales of relevant products to pharmacy chains. Additionally, our marketing and promotion activities and those of our third-party promoters were postponed or cancelled due to traffic disruption or because the priority of many medical institutions and healthcare professionals became the treatment and containment of COVID-19. Consequently, the timing and the effectiveness of our marketing and promotion efforts as well as those of our third-party promoters were adversely affected. In addition, there were slight delays in conducting certain research and development studies in China, and the continuance of COVID-19 outside of China have also led to delays in research and development process of our overseas collaboration partners. Moreover, the progress of clinical trials was delayed as compared to the original schedule due to delay in patient recruitment, enrollment or follow-ups. The outbreak of COVID-19 could also cause delay of regulatory submissions and required approvals of our product candidates, and could cause us to incur additional costs. If we are not able to effectively develop and commercialize our product candidates as a result of the outbreak of COVID-19, we may not be able to generate revenue from sales of our product candidates as planned.

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

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

If the PRC government deems that the Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements.

Foreign ownership of certain businesses in PRC is subject to restrictions under current PRC laws and regulations. For example, foreign investors are prohibited from research and development on, or application of, human stem cell and gene diagnosis and treatment technologies.

We were incorporated in Hong Kong as a private company limited by shares, as such, we are classified as a foreign enterprise under PRC laws and regulations, and Shanghai Xianjing, our wholly-owned PRC subsidiary, is considered as a foreign-invested enterprise. We have entered into a series of Contractual Arrangements with each of Shanghai Xianbo, Mr. Ren (who holds 95% equity interest in Shanghai Xianbo) and Mr. Zhu Zhenfei (who holds 5% equity interest in Shanghai Xianbo). Please see "Contractual Arrangements" for a detailed description of the Contractual Arrangements. Through our shareholdings and the Contractual Arrangements, our Company controls the economic benefit of 100% of the equity interest in Shanghai Xianbo.

As advised by our PRC Legal Advisors, save as disclosed in "Contractual Arrangements – Legality of the Contractual Arrangements," the Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto under the current laws and regulations. Please see "Contractual Arrangements – Legality of the Contractual Arrangements" for more details. However, our PRC Legal Advisors have also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. In addition, certain PRC court rulings invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law. Accordingly, there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisors.

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**") which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws,

regulations or guidelines of the State Council. However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes "Foreign Investors investing in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council." We cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements. If our ownership structure, Contractual Arrangements and business or that of Shanghai Xianjing or Shanghai Xianbo are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, we could be subject to several legal liability as follows and without limitation:

(i) the relevant competent department may order Shanghai Xianjing, Shanghai Xianbo and the shareholders of Shanghai Xianbo to cease the Contractual Arrangements;

(ii) Shanghai Xianbo may be ordered to dispose the shares or assets thereof or to take any other necessary measures within a prescribed time limit, and to restore the status before the Contractual Arrangements; and

(iii) the illegal gains (if any) may be confiscated by the relevant competent department.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would result in us failing to receive all or part of the economic benefits from Shanghai Xianbo, which in turn may materially and adversely affect our business, financial condition and results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and the Contractual Arrangements.

In addition, if any equity interest in Shanghai Xianbo held by its shareholders is held in the court custody in connection with their litigation, arbitration or other judicial or dispute resolution proceedings, we cannot assure you that the equity interest will be disposed of to us in such proceedings in accordance with the Contractual Arrangements. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may result in adverse tax consequences to us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not made on an arm's length basis and adjust Shanghai Xianbo's income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer

pricing adjustment could materially and adversely affect us by (i) increasing the tax liabilities of Shanghai Xianbo without reducing the tax liability of Shanghai Xianjing, which could further result in late payment fees and other penalties to Shanghai Xianbo for underpaid taxes; or (ii) limiting the ability of Shanghai Xianbo to obtain or maintain preferential tax treatments and other financial incentives.

The shareholders of Shanghai Xianbo may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Our control over Shanghai Xianbo is based upon the Contractual Arrangements with Shanghai Xianbo and its shareholders. These shareholders may potentially have a conflict of interest with us, and they may breach their agreements with us or otherwise act in bad faith, if they believe the Contractual Arrangements would adversely affect their own interests. We cannot assure you that when conflicts of interest arise between us and the shareholders of Shanghai Xianbo, such shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favor. If the shareholders of Shanghai Xianbo do not act completely in our interests or the conflicts of interest between us and them are not resolved in our favor, our business and financial condition may be materially and adversely affected.

Currently, we do not have arrangements to address the potential conflicts of interest faced by one of Shanghai Xianbo's shareholders, namely, Mr. Ren, in his dual capacity as beneficial owner, executive Director and chief executive officer of our Group. We rely on such shareholder to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to us and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Hong Kong, which provide that directors have a duty to act in good faith in the interests of us and to avoid conflicts between personal interests and interests of us. However, the legal frameworks of the PRC and the Hong Kong do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime.

In addition, the shareholders of Shanghai Xianbo may breach or refuse to renew, or cause Shanghai Xianbo to breach or refuse to renew, the Contractual Arrangements with us. If any such shareholders breaches his agreements with us or otherwise has disputes with us, we may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract our management's attention, adversely affect our ability to control Shanghai Xianbo and otherwise result in negative publicity and adversely affect the reputation of Shanghai Xianbo. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Shanghai Xianbo and its shareholders may fail to perform their obligations under our Contractual Arrangements.

We have no equity ownership interests in Shanghai Xianbo and rely on the Contractual Arrangements with Shanghai Xianbo and its shareholders to control the entire equity ownership interests in Shanghai Xianbo. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Contractual Arrangements." Although we have been advised by our PRC Legal Advisors that our Contractual Arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing us with control over Shanghai Xianbo as direct ownership. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of Shanghai Xianbo, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. If Shanghai Xianbo or any of its shareholders fails to perform its respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these Contractual Arrangements. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Shanghai Xianbo, injunctive relief and/or winding up of it. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong may not be recognizable or enforceable in the PRC. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over Shanghai Xianbo or obtain the full economic benefits of the same. Our ability to conduct our business may be negatively affected.

We may lose control over Shanghai Xianbo and may not enjoy its full economic benefits if Shanghai Xianbo declares bankruptcy or become subject to a dissolution or liquidation proceeding.

Our Contractual Arrangements contain terms that specifically provide that Shanghai Xianbo may not be voluntarily liquidated without the written consent of Shanghai Xianjing. However, if the shareholders of Shanghai Xianbo breach this obligation and voluntarily liquidate Shanghai Xianbo or if Shanghai Xianbo declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and we may be unable to continue to control Shanghai Xianbo and may not enjoy the full economic benefits of the same, which could adversely affect our business, financial condition and results of operations.

If the shareholders of Shanghai Xianbo were to attempt to voluntarily liquidate Shanghai Xianbo without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request such shareholders to transfer all of their equity ownership interests in Shanghai Xianbo to us or to an entity designated by us in accordance with the exclusive option agreement between Shanghai Xianbo, its shareholders and us. In addition, under the Contractual Arrangements, the shareholders of Shanghai Xianbo do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of Shanghai Xianbo without our prior consent. In the event that the shareholders of Shanghai Xianbo initiate a voluntary liquidation proceeding without our authorization or attempt to distribute the retained earnings or assets of Shanghai Xianbo without our prior consent, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

If we exercise the option to acquire equity ownership of Shanghai Xianbo, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Shanghai Xianjing or its designated person(s) has the exclusive right to purchase all or any part of the equity interest in Shanghai Xianbo from its shareholders free of charge or at a nominal consideration, or if the aforementioned consideration is not permitted under then applicable PRC laws, at the minimum consideration permitted under such laws.

The equity transfer may be subject to approvals from and filings with the MOFCOM or its local counterparts. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The shareholders of Shanghai Xianbo will pay the remaining amount to Shanghai Xianjing under the Contractual Arrangements. The amount to be received by Shanghai Xianjing may also be subject to enterprise income tax. Such tax amounts could be substantial and our financial condition may be adversely affected as a result.

RISKS RELATING TO DOING BUSINESS IN CHINA

China's economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business.

Substantially all of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies. Certain industrial policies are more favorable to traditional medicines, State-owned pharmaceutical companies or emerging biotechnology companies which compete against us, which may have an adverse effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in China could have a material adverse effect on overall economic growth and the level of healthcare investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the U.S. economy and the sovereign debt crisis in Europe have collectively added downward pressure to economic growth in China. The growth rate of China's real GDP has decreased from 7.3% in 2014 to 6.1% in 2019.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The M&A Rules and certain other 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.

The M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law (《反壟斷法》) requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Rules of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

We conduct our business through our operating subsidiaries in China, which are governed by PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you and may adversely affect the value of your investment.

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

Anti-monopoly claims or regulatory actions against us may expose us to penalties, business constraints and reputation damages.

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen its anti-monopoly enforcement, including the issuance of the "Notice on Anti-monopoly Enforcement Authorization" (《國家市場監督管理總局關於反壟斷執法授權的通知》) on December 28, 2018, which grants authorizations to the branches of SAMR at the provincial level for anti-monopoly enforcement within their respective jurisdictions. On June 26, 2019, the SAMR promulgated the "Interim Provisions on Prohibiting Monopoly Agreement" (《禁止壟斷協議暫行規定》) and the "Interim Provisions on Prohibiting Abuse of Dominant Market Positions" (《禁止濫用市場支配地位行為暫行規定》) (collectively, the "**Interim Provisions**"), which

became effective on September 1, 2019. Pursuant to the PRC Anti-monopoly Law and the Interim Provisions, companies are prohibited from reaching monopoly agreements on price of products with their counterparties, including directly or indirectly fixing resale price of products or limiting bottom resale price of products; companies are also prohibited from conducting abusive behaviors leveraging their market dominance, including selling products at unfairly high prices and directly or indirectly refusing to transact with specific counterparties without justification. The relevant anti-monopoly laws also provide a private right of action for competitors, business partners or customers who suffered losses caused by monopolistic behaviors to bring anti-monopoly claims. In recent years, an increasing number of companies have been exercising their right to seek relief under the PRC Anti-monopoly Law.

Recently, the SAMR pays close attention to potential monopolistic business practices in the pharmaceutical industry. In particular, it has conducted anti-monopoly investigations on, and imposed administrative penalties on, various companies in the pharmaceutical industry for their abusive behavior leveraging their market dominance. We produce, sell and/or distribute certain APIs and face limited competition in the relevant markets. Consequently, we may be perceived to have dominance in such markets. During our normal course of business, we may adjust the supply price of such products, make decisions on whether to transact with specific counterparties, establish business relationships with additional counterparties or terminate business relationships with existing counterparties at our sole discretion.

Although we believe that our business practices are conducted based on commercially reasonable considerations and justifications and do not violate the PRC Anti-monopoly Law or the Interim Provisions, there can be no assurance that other companies, including our competitors, business partners and customers, will submit complaints to regulators or initiate private litigation that targets our prior and current business practices, nor can we assure you that regulators will not initiate anti-monopoly investigations into specific business practices we have adopted. We are currently involved in an investigation initiated by the SAMR in respect of our alleged violation of the PRC Anti-monopoly Law. The investigation is still pending and SAMR has not reached any decision. Please see "Business – Legal Proceedings and Compliance – Legal Proceedings – Anti-monopoly Investigation" for more details. We cannot assure you that we will not be subject to any further or other investigations in the future. Any existing or future anti-monopoly lawsuit, regulatory investigations or administrative proceedings initiated against us, regardless of their merits, could materially and adversely harm our business and reputation. If we are perceived to violate anti-monopoly laws, regulations or policies in the PRC, we will be exposed to penalties, confiscation of illegal gains and cease of illegal business practices, which could materially and adversely affect our business, results of operations and financial condition.

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

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

Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" within China, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the STA issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" in respect of enterprises that are established offshore by PRC enterprises, which could be applied in determining the tax resident status of non-PRC enterprises.

As substantially all of the operational management of our Company is currently based in the PRC, we and our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If we or our offshore subsidiaries are regarded as PRC resident enterprise by the PRC tax authorities, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

Furthermore, under the EIT Law and its implementation rules, unless otherwise reduced or exempted by the tax treaties or similar arrangements, PRC withholding tax at a rate of 10% is normally applicable to income from a PRC source paid to "non-resident enterprises," which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. According to the "Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland China and Hong Kong" (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) which was entered into on August 21, 2006, taxes on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise, or vice versa, can be levied by competent authorities in the PRC or in Hong Kong, provided that the withholding tax shall not exceed 5% of the total dividends if the payee beneficially owns 25% or more interest in the payor. Consequently, dividends payable to our Company by those PRC resident enterprises in which it beneficially owns 25% or more interest may be subject to a reduced withholding tax rate of 5%. While, if we are treated as a PRC resident enterprise, dividends payable to our investors that are "non-resident enterprises" may be treated as income derived from sources within China. Any gain realized on the transfer of shares by investors that are "non-resident enterprises" is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. In addition, under PRC Individual Income Tax Law and its implementation rules, dividends from sources

within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals.

If we are treated as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

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

On February 3, 2015, the STA issued the "Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises" (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Circular 7**"), which abolished certain provisions in the "Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises" (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) ("**Circular 698**"), which was previously issued by the STA on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets according to Article 47 of the EIT Law, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Article 5 and Article 6 of Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the equity value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly

hold Chinese taxable property and have registered in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be lack of economic substance due to their inadequate ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

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

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" (the "**Public Market Safe Harbor**"), which is determined by whether the parties and number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed "Information about this Prospectus and the Global Offering," potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

The PRC government's control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in

respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of China, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of the RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movements. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

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

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

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

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

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollars, the U.S. dollars, Euro and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollars, Euro or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

In the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, and substantially all of our financial assets are also denominated in Renminbi. Therefore, we mainly rely on dividends and other fees paid to us by our PRC subsidiaries. Any significant change in the exchange rates of the Hong Kong dollars against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars.

Certain of our bank loans are denominated in foreign currencies such as Euro. Fluctuations in exchange rates of these foreign currencies against Renminbi may have an adverse impact on our results of operations.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollars may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China.

According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions by us to our PRC subsidiaries are subject to the requirement of making necessary filings in the enterprise registration system and registration with the relevant governmental authorities in China. In addition, any foreign loan provided by us to our PRC subsidiaries is required to be registered with SAFE, or its local counterparts. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the "Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement 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》) ("**SAFE Circular 19**"), which took effect on June 1, 2015 and was amended on December 30, 2019. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the "Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange" (《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》) ("**SAFE Circular 16**"). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the proceeds from the Global Offering, which may materially and adversely affect our business, financial condition and results of operations.

On September 14, 2015, the NDRC issued the "Circular on Promoting the Reform of the Administrative System on the Filings and Registrations of Foreign Debt Issuance by Enterprises" (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號)) (the "**Circular 2044**"), which requires domestic enterprises and their overseas subsidiaries or branches to file and register with the NDRC prior to issuance of any foreign debt that matures in more than one year, and to notify the NDRC of the particulars of such issuance, along with an explanation to the significant discrepancy between the registration record and the actual issuance, if any, within 10 business days upon completion of issuance. For enterprises that willfully misstate the issuance scale of foreign debts, the NDRC will record their bad credit in the National Credit Information Platform. Further in February 2020, the NDRC issued the "Guidance on the Filings and Registrations of Foreign Debt Issuance by Enterprises" (《企業發行外債備案登記辦事指南》) (the "**Guidance**"), which sets out detailed guidelines and procedures during the relevant filings and registrations.

However, the interpretation and implementation of the Circular 2044 and the Guidance are subject to broad discretion of the NDRC, therefore involving substantial uncertainty. The NDRC may also, from time to time, revise the Circular 2044 or the Guidance, or adjust their scopes of application. If we fail to file or register any foreign debt issuance with the NDRC in accordance with the Circular 2044 and the Guidance, we may not be able to use the proceeds of such foreign debt issuance to capitalize our PRC operations due to incapable of completing foreign exchange capital settlement. In addition, if the NDRC records our bad credit in the National Credit Information Platform, our ability to access future fundings as well as to make investments could be materially and adversely affected.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities.

The SAFE promulgated the "Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-trip Investment through Offshore Special Purpose Vehicles" (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 75**") on October 21, 2005, which requires a PRC resident (whether a natural person or a legal person) to register with the local counterpart of the SAFE before it establishes or controls an offshore SPV, with assets or equity interests in a PRC company, for the purpose of overseas equity financing. In July 2014, the SAFE promulgated the "Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Round-trip Investment through 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》) ("**SAFE Circular 37**"), which replaced the SAFE Circular 75. SAFE Circular 37 requires PRC residents or entities to register with

SAFE or its local counterparts in connection with their establishment or control of an offshore entity, for the purpose of overseas investment or financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." Further, on February 13, 2015, SAFE promulgated the "Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies for 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》) ("**SAFE Circular 13**"), which came into effect on June 1, 2015 and was partially abolished on December 30, 2019. SAFE Circular 13 cancels two administrative approval items: foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under both domestic direct investment and overseas direct investment, and SAFE and its local counterparts shall indirectly regulate the foreign exchange registration of direct investment through banks. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division.

If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including but not limited to (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. The relevant individuals have duly completed the initial foreign exchange registrations in relation to their offshore investments as PRC residents in accordance with SAFE Circular 75, SAFE Circular 37 and SAFE Circular 13. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any Shareholders to comply with

SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Share Incentive Rules**"), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Share Incentive Rules, PRC residents who participate in share incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the share incentive plan if there is any material change to the share incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted share options will be subject to the Share Incentive Rules upon completion of the Global Offering. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents or our PRC subsidiaries to regulatory measures and legal sanctions and may materially adversely affect our business.

You may experience difficulties in effecting service of legal process and seeking recognition and enforcement of foreign judgments in China.

Substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, a majority of our current Directors and senior management members are nationals and residents of China and most of the assets of these persons are located in China. It may not be possible for investors to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against us, certain of our assets, our Directors and senior management members in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC. On January 18, 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**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 PRC. 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 of the PRC and the completion of the relevant legislative procedures in 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 the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$1.91 per Share, based on the mid-point of the Offer Price range of HK$12.90. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. 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.

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

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

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

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 78.13% of our Shares, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be

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

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 utilize 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, including but not limited to: the continued research and development of our selected product candidates in our strategically focused therapeutic areas, the reinforcement of our sales and marketing capabilities, our investment in companies in the pharmaceutical or biotechnology sector when appropriate opportunities arise and working capital and other general corporate purposes. Please see "Future Plans and Use of Proceeds – Use of Proceeds" for more details. 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 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 several 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.

We may not pay any dividends on the Shares.

We cannot guarantee when, if, or in what form, dividends will be paid on the Shares following the Global Offering. A declaration of dividends must be proposed by our Board and will be based on, and limited by, various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. Furthermore, we may not have sufficient profits to make dividend distributions to Shareholders in the future, even if our financial statements prepared under HKFRS indicate that our operations have been profitable. Please see "Financial Information – Dividends" for more details on our dividend policy.

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

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and healthcare and pharmaceutical industry in China are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators 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 market practice and other problems, the statistics in this prospectus relating to the PRC economy and the healthcare and pharmaceutical industry in China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

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

The trading market for our Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publishes negative opinions about us, the market price for our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our Shares to decline.

You should only rely on the information included in this prospectus to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering 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 prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our business operations are managed and conducted outside of Hong Kong, it would be impractical and commercially unnecessary for our Company to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. The two authorized representatives of our Company are Mr. BAO Jun, the secretary to the Board and one of our joint company secretaries, and Mr. WAN Yushan, an executive Director and the chief financial officer of our Company. We have also appointed Ms. MAK Po Man Cherie ("**Ms. Mak**"), who is ordinarily resident in Hong Kong and one of our joint company secretaries, as the alternative of the authorized representatives in order to assist the authorized representatives to communicate with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and readily contactable by telephone, facsimile and email;

(b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives will have means to contact all of our Directors promptly. We will implement measures such that (i) each Director must provide his mobile phone number, office phone number, facsimile number and email address to our authorized representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he will provide the phone number of the place of his accommodation to our authorized representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;

(c) each Director who is not an ordinary 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 of time, if required;

(d) we have appointed China Galaxy International Securities (Hong Kong) Co., Limited as our compliance advisor pursuant to Rules 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. Our compliance advisor will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing, and will have access at all times to our authorized representatives, our Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and

(e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives or compliance advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance advisor.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

(c) 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:

(a) length of employment with the listing applicant and other issuers and the roles he/she played;

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

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

(d) professional qualifications in other jurisdictions.

We have appointed Mr. BAO Jun, Ms. FENG Jie and Ms. Mak as our joint company secretaries. Mr. BAO Jun has almost 14 years of working experience with our Group currently acting as the executive director of strategic development and the secretary to the Board of our Company, primarily responsible for the strategic planning, corporate governance and investor relations of our Group. He has accumulated abundant knowledge about our business operations and corporate governance with a strong recognition of our corporate culture. By virtue of his position and familiarity with our Group, Mr. BAO Jun has worked closely with our Directors and thus possesses a thorough understanding of matters concerning our Board and its operations. As such, our Directors believe that Mr. BAO Jun is a suitable person to act as one of the joint company secretaries of our Company.

However, Mr. BAO Jun does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Therefore, we have also appointed Ms. FENG Jie and Ms. Mak, who meet the requirements under Rule 3.28 of the Listing Rules, to act as the other two joint company secretaries. Ms. FENG Jie has been a securities affairs representative of our Group since May 2019 working on a full time basis for our corporate and securities affairs. She is able to devote sufficient time to act as the assistant to and work closely with Mr. BAO Jun in coordinating and handling the affairs of the Board, while Ms. Mak, who has over 15 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial affairs, can leverage her expertise to assist Mr. BAO Jun to better discharge his responsibilities as the Company's joint company secretary. For more details of the biographies of Mr. BAO Jun, Ms. FENG Jie and Ms. Mak, see "Directors and Senior Management."

Over the initial period of the three years from the Listing Date, we will implement the following measures to assist Mr. BAO Jun to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(a) Given the knowledge and experience of Ms. FENG Jie and Ms. Mak, they will be able to advise both Mr. BAO Jun and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Mr. BAO Jun will be assisted by Ms. FENG Jie and Ms. Mak for an initial period of three years commencing from the Listing Date, which should be sufficient for Mr. BAO Jun to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) we will ensure that Mr. BAO Jun has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. BAO Jun has undertaken to attend such trainings;

(d) Ms. FENG Jie and Ms. Mak will communicate with Mr. BAO Jun on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. FENG Jie and Ms. Mak will work closely with, and provide assistance to Mr. BAO Jun with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Mr. BAO Jun will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize himself with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Each of Mr. BAO Jun, Ms. FENG Jie and Ms. Mak will be advised by our legal advisors as to Hong Kong laws and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the conditions that (i) Mr. BAO Jun must be assisted by Ms. FENG Jie and Ms. Mak, who possess the qualifications and experience as required under Rule 3.28 of the Listing Rules and who will serve as the joint company secretaries of our Company 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. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. BAO Jun to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Mr. BAO Jun, having had the benefit of the assistance of Ms. FENG Jie and Ms. Mak for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, please see "Connected Transactions."

WAIVER IN RELATION TO SHAREHOLDING ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a listing document must include the income statements and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document. Pursuant to Guidance Letter HKEX32-12 issued by the Stock Exchange, "acquisition of business" includes acquisition of any equity interest in another company.

Pursuant to an investment agreement dated December 31, 2018, Simcere Pharmaceutical agreed to invest in TCRCure Beijing and TCRCure US (the "**TCRCure Companies**") at an investment amount of RMB50,000,000 (the "**TCRCure Companies Acquisition**"), which was fully settled on February 26, 2019. Later, due to our internal business restructuring, Simcere Pharmaceutical transferred its entire rights and obligations in relation to the TCRCure Companies Acquisition to Shanghai Xianbo. Meanwhile, the TCRCure Companies and their affiliates have been undergoing a series of reorganization. Our investment in TCRCure Beijing was completed on July 6, 2020, whereas the offshore tranche of the TCRCure Companies Acquisition has not been fully completed as of the Latest Practicable Date pending the completion of the reorganization of the TCRCure Companies and their affiliates. For further details, see "History, Reorganization and Corporate Structure – Post-Track Record Period Acquisition."

Based on the following reasons, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in relation to the TCRCure Companies Acquisition:

(a) Immateriality

The scale of businesses operated by the TCRCure Companies as compared to that of our Group are immaterial. Each of the applicable percentage ratios in relation to the TCRCure Companies Acquisition is well below 5% for the financial year ended December 31, 2019. Accordingly, the TCRCure Companies Acquisition will not constitute discloseable transactions of our Company under Chapter 14 of the Listing Rules. Further, the TCRCure Companies Acquisition will not be significant enough to require the preparation of pro-forma accounts under Rule 4.28 of the Listing Rules. As such, we are of the view that the TCRCure Companies Acquisition is immaterial and do not expect it to have any material effect on our financial position.

(b) Minority interest in the TCRCure Companies

Upon completion of the TCRCure Companies Acquisition, we will only hold 6.25% equity interest in the group of the TCRCure Companies after reorganization, which represent our voting rights at the general meeting of the group of the TCRCure Companies after reorganization. In addition, we are only able to appoint one observer to the board of directors of each of the TCRCure Companies. Therefore, we do not exercise any control over the TCRCure Companies at the board or shareholders' level. Further, the TCRCure Companies will not be treated as our subsidiaries and our shareholding in the TCRCure Companies will only be accounted for as financial assets at fair value through profit or loss in our financial statements.

(c) Impracticality and undue burden

As we only have a minority shareholding interest in the group of the TCRCure Companies after reorganization, and our observers on the board of directors of the TCRCure Companies are not involved in their day-to-day management, our reporting accountants will unlikely gain full access to the financial information of the TCRCure Companies to get fully familiarized with their accounting policies and to gather and compile the necessary financial information and supporting documents for disclosure in this prospectus. Therefore, it would be impracticable and burdensome for our Company to disclose the financial information of the TCRCure Companies for each of the three financial years immediately preceding the issue of this prospectus.

(d) Alternative disclosure

With a view of allowing our potential investors to understand in greater details, we have provided information in relation to our investment in the TCRCure Companies in this prospectus that is comparable to the information required for a discloseable transaction under Chapter 14 of the Listing Rules, including, among others, (a) a general description of the principal business activities of the TCRCure Companies and the financial information of the TCRCure Companies that are available to us; (b) the consideration of the TCRCure Companies Acquisition, the basis of the consideration and how the consideration were satisfied; (c) reasons for and benefits of the TCRCure Companies Acquisition; and (d) any other material terms in relation to the TCRCure Companies Acquisition. See "History, Reorganization and Corporate Structure – Post-Track Record Period Acquisition" for more details.

WAIVER IN RELATION TO PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% to 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules to accept a lower public float percentage of 15.35% of our total issued share capital.

In support of such application, the Company has confirmed to the Stock Exchange that it will (a) make appropriate disclosure of the lower percentage of public float required by the Stock Exchange in this prospectus; (b) confirm sufficiency of public float in its successive annual reports after the Listing; (c) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, implement appropriate measures and mechanisms to ensure the minimum public float percentage prescribed by the Stock Exchange is complied with; (d) we will have an expected market capitalization at the time of Listing of over HK$10 billion; and (e) the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float.

Therefore, our minimum public float shall be the highest of (1) 15.35% of the Company's total issued share capital; (2) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (3) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (as increased by the Shares to be issued upon any exercise of the Over-allotment Option) provided that the highest of (1), (2) and (3) above is below the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules.

DIRECTORS' RESPONSIBILITY STATEMENT

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

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

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

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set 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 prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, 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 Global Coordinators. 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 Joint Global Coordinators (for themselves and on behalf of the 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 Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see "Underwriting."

Neither the delivery of this prospectus 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 prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

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

APPLICATION FOR LISTING 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 prior to completion of the Global Offering and those to be issued pursuant to the Global Offering (including the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Save as disclosed in this prospectus, no part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, October 23, 2020. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 2096.

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 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 register of members will be maintained by Computershare Hong Kong Investor Services Limited, the Hong Kong Share Registrar. All Shares issued pursuant to applications made in the Global Offering will be registered on our register of members to be maintained by the Hong Kong Share Registrar. 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.

Dealings in our Shares registered on our register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. 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

Unless otherwise specified, amounts denominated in HK$, US$ and RMB have been translated, for the purpose of illustration only, into each other in this prospectus at the following exchange rates:

RMB1.00: HK$1.1297;

US$1.00: RMB6.8605; and

US$1.00: HK$7.7502.

No representation is made that any amounts in HK$, US$ or RMB were or could have been or could be converted into each other at such rates or any other exchange rates on such date or any other date.

ROUNDING

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

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail unless otherwise stated. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the names in their original languages shall prevail.

OTHERS

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.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. REN Jinsheng (任晉生)	Room 503, Building 2 Haitang Street, Sunshine Jubao Villa 88 Xuanwu Avenue, Xuanwu District Nanjing, Jiangsu PRC	Chinese
Mr. ZHANG Cheng (張誠)	Room 1801, No. 26 E Wukuang Chongwen Jincheng 158 Wuhou Street, Jianye District Nanjing, Jiangsu PRC	Chinese
Mr. WAN Yushan (萬玉山)	Room 1403, Unit 2, Building 7 438 Hanzhongmen Street Gulou District Nanjing, Jiangsu PRC	Chinese
Mr. TANG Renhong (唐任宏)	Room 201, Unit 3, Building 8 Courtyard No.1, Xi'erqi West Road Haidian District, Beijing PRC	Chinese
Non-executive Director		
Mr. ZHAO John Huan (趙令歡)	Flat A, 3/F Han Kung Mansion 26 Tai Koo Shing Road Tai Koo Shing Hong Kong	Chinese (Hong Kong)

Name	Address	Nationality
Independent non-executive Directors		
Mr. SONG Ruilin (宋瑞霖)	No. 202, Room No. 4, Building 3 Courtyard No. A28 Guangqumenwai Street Chaoyang District, Beijing PRC	Chinese
Mr. WANG Jianguo (汪建國)	Room 801, Building 17 Galaxy Garden 103 Yuemin Road, Jiangning District Nanjing, Jiangsu PRC	Chinese
Mr. WANG Xinhua (王新華)	Room 310, Building 6, District 6 Hepingli Street Dongcheng District, Beijing PRC	Chinese

For further information regarding our Directors, see "Directors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong **UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**Morgan Stanley Asia Limited** *(in relation to the Hong Kong Public Offering)* 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

	Morgan Stanley & Co. International plc *(in relation to the International Offering)* 25 Cabot Square Canary Wharf London, E14 4QA United Kingdom
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
Joint Lead Manager	**CNCB (Hong Kong) Capital Limited** Room 2801, Lippo Centre Tower Two 89 Queensway Hong Kong
Legal Advisors to Our Company	*As to Hong Kong laws* **William Ji & Co. LLP in Association with Tian Yuan Law Firm Hong Kong Office** Suite 702, 7/F Two Chinachem Central 26 Des Voeux Road Central Central, Hong Kong
	As to U.S. laws **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong

	As to PRC laws **Tian Yuan Law Firm** 10/F, Tower B, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District, Beijing PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws* **Herbert Smith Freehills** 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong
	As to PRC laws **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, Beijing PRC
Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Central, Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District, Shanghai PRC
Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** Level 7, One Taikoo Place 979 King's Road Hong Kong

Compliance Advisor	**China Galaxy International Securities (Hong Kong) Co., Limited** 20th Floor, Wing On Centre 111 Connaught Road Central Sheung Wan Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	43/F, AIA Tower 183 Electric Road North Point Hong Kong
Headquarters in the PRC	No. 699-18, Xuanwu Road Xuanwu District, Nanjing Jiangsu PRC
Company's Website	**http://www.simcere.com** *(the information contained on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. BAO Jun No. 699-18, Xuanwu Road Xuanwu District, Nanjing Jiangsu PRC Ms. FENG Jie *(Associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom)* Flat 10, 35/F, Ying Hong Hse Choi Ying Est, Kowloon Bay Hong Kong Ms. MAK Po Man Cherie *(Associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom)* 40/F, Sunlight Tower No. 248 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	Mr. BAO Jun No. 699-18, Xuanwu Road Xuanwu District, Nanjing Jiangsu PRC

	Mr. WAN Yushan Room 1403, Unit 2, Building 7 438 Hanzhongmen Street Gulou District Nanjing, Jiangsu PRC
Audit Committee	Mr. WANG Xinhua *(Chairman)* Mr. SONG Ruilin Mr. WANG Jianguo
Remuneration and Appraisal Committee	Mr. WANG Jianguo *(Chairman)* Mr. WANG Xinhua Mr. REN Jinsheng
Nomination Committee	Mr. SONG Ruilin *(Chairman)* Mr. WANG Jianguo Mr. REN Jinsheng
Strategy Committee	Mr. REN Jinsheng *(Chairman)* Mr. ZHAO John Huan Mr. WANG Jianguo
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
Principal Banks	**Bank of China Limited** **Nanjing Jiangbei New District Branch** No. 30, Wende Road Pukou District, Nanjing Jiangsu PRC **China Merchants Bank Co., Ltd.** **Nanjing Longpan Road Sub-Branch** No. 31, Changfu Street Qinhuai District, Nanjing Jiangsu PRC

Certain information and statistics set out in this section and elsewhere in this prospectus have been derived from various government publications, market data providers and other Independent Third Party sources. In addition, certain information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Frost & Sullivan in connection with the Global Offering, or the Frost & Sullivan Report. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. None of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering (except for Frost & Sullivan) or their respective directors, advisers and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering (except for Frost & Sullivan) or their respective directors, advisers and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this prospectus. For the above reasons, information contained in this section should not be unduly relied upon.

THE PHARMACEUTICAL MARKET IN CHINA

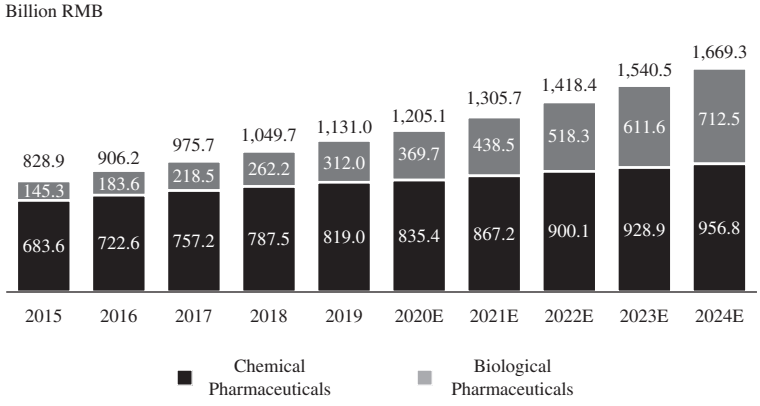
Overview

In recent years, healthcare expenditure in China has experienced significant growth, increasing from RMB3,531.2 billion in 2014 to RMB5,912.2 billion in 2018, representing a CAGR of 13.8%. With increasing disposable income and ageing population, rising health awareness and life expectancy and implementation of healthcare reform plans, the total healthcare expenditure in China is expected to grow further at a CAGR of 9.5% from RMB6,505.7 billion in 2019 to RMB9,352.3 billion in 2023.

Similarly, the pharmaceutical market in China has also grown rapidly in recent years from RMB1,220.7 billion in 2015 to RMB1,633.0 billion in 2019, representing a CAGR of 7.5%, and is expected to grow further at a CAGR of 6.8% from 2020 to 2024, reaching RMB2,228.8 billion in 2024. The pharmaceutical market in China consists of three segments, namely, chemical pharmaceuticals, biological pharmaceuticals and traditional Chinese medicines, among which chemical pharmaceuticals account for the largest market share while biological pharmaceuticals have the fastest growth rate.

Chemical and Biological Pharmaceutical Market in China, 2015 – 2024E

Period	CAGR	
	Chemical Pharmaceuticals	Biological Pharmaceuticals
2015-2019	4.6%	21.1%
2020E-2024E	3.5%	17.8%



Source: Frost & Sullivan analysis

Features of Pharmaceutical Market in China

Market Fragmentation

The pharmaceutical market in the PRC is highly fragmented. There are more than 4,000 pharmaceutical companies in the PRC. In terms of sales in 2019, the top 10 pharmaceutical companies accounted for only 16.3% of the total PRC pharmaceutical market. We believe that pharmaceutical companies with well-established nationwide distribution networks and competitive product portfolios and pipelines are well-positioned to seize competitive opportunities to expand and benefit from industry development to increase market share.

Market Entry Barriers

The development cycle of a new pharmaceutical may last more than 15 years, and the development cost may exceed several hundred millions of Renminbi. Apart from R&D expenditure, significant investments are required for production facilities, quality systems and technical teams. Therefore, heavy investment and a long return period have become main barriers to entering the pharmaceutical market. In addition, for innovative and first-to-market generic pharmaceuticals, any delay in R&D, and drug registration and approval processes will affect their time to market, which is critical to innovative and first-to-market generic pharmaceuticals. The need for an experienced R&D team and technical team therefore creates high technical barriers for new entrants without a track record of R&D experience.

New entrants to the PRC pharmaceutical market tend to develop only a limited number of product candidates due to limited R&D capabilities, development cost and risk assessment. The lack of diversity means if development of any of the few product candidates fails, the company will suffer serious losses.

New entrants to the PRC pharmaceutical market must also navigate through a stringent regulatory landscape. Pharmaceutical production in China is subject to strict NMPA regulation. Meanwhile, the strengthening of the supervision of the pharmaceutical market, consistency evaluation requirement for generic pharmaceuticals, and registration system for clinical trials of pharmaceuticals in the PRC may increase compliance and other costs and create a high entry barrier for new entrants. For more details about relevant regulatory measures, please see "Regulatory Overview."

Innovative Pharmaceuticals and Generic Pharmaceuticals

Pharmaceutical products are categorized as either innovative pharmaceuticals or generic pharmaceuticals. Compared with generic pharmaceuticals, innovative pharmaceuticals have higher technical barriers and enjoy marketing exclusivity and significant pricing power. In particular, the invention patents and protection periods over our innovative pharmaceuticals have excluded others from manufacturing and marketing of products with the same chemical structure, dosage form or indication in China or other countries for an extended period of time, well-positioning us in advancing our brand name and market position in the relevant therapeutic areas. In addition, innovative pharmaceuticals are perceived to have potentially greater efficacy and/or safety than generic pharmaceuticals and are therefore generally subject to more limited competition and relatively lower pricing pressure, enabling us to increase sales while maintaining stable profit margin.

Innovative pharmaceuticals can be further classified into chemical ones and biologic ones. Under the NMPA classification system, category I innovative chemical pharmaceuticals refer to innovative chemical pharmaceuticals that contain new chemical entities with clinical value and have never been marketed anywhere in the world. Similarly, generic pharmaceuticals include generic chemical pharmaceuticals and biosimilars. Generic chemical pharmaceuticals refer to pharmaceuticals with the same active ingredients as, and are considered equivalent to, an innovative chemical pharmaceutical, while biosimilars refer to biologics approved under the same standards as, and are sufficiently similar in structure, function, efficacy and safety to, innovative biologics. Among generic pharmaceuticals, biosimilars are considered to have higher entry barriers compared to generic chemical pharmaceuticals and the market of biosimilars in China is expected to increase significantly in the future. While the pharmaceutical market in China has been dominated by generic pharmaceuticals, innovative pharmaceuticals have been developing rapidly in recent years.

Key Drivers of Pharmaceutical Market in China

The pharmaceutical market in China is expected to continue its growth and such expectation is determined by several key drivers as set out below.

- ***Ageing population:*** In China, population aged 65 years or above has increased from 143.9 million, or 10.5% of the entire population, in 2015, to 176.0 million, or 12.6% of the entire population, in 2019. The accelerating ageing trend, prolonged life expectancy and prevalence of chronic diseases will further drive up the demand for relevant pharmaceuticals in China.

- ***Increasing affordability and expansion of medical insurance coverage:*** In China, the per capita annual disposable income has increased from RMB21,966 in 2015 to RMB30,733 in 2019, representing a CAGR of 8.8%. The growth in disposable income has greatly increased the purchasing power as well as the health awareness of PRC population, increasing their willingness to pay for healthcare expenditures, including pharmaceuticals expenditures. Meanwhile, the public medical insurance coverage in China has been increasing. In 2019, 1,354.4 million people in China were enrolled in Employee Basic Medical Insurance Scheme and Urban and Rural Residents Basic Medical Insurance Scheme, representing 96.7% of the entire population in China. In particular, with the implementation of dynamic adjustment mechanism, more newly launched innovative pharmaceuticals have entered into the NRDL through NRDL pricing negotiation, which further improves patients' affordability and drives up demand for relevant pharmaceuticals.

- ***Strong government policy support:*** The PRC government has released several supporting policies which cover pharmaceutical approval, pricing, manufacturing, delivery and distribution, such as lifting of price controls for pharmaceuticals and implementation of new "Provisions for Drug Registration" (《藥品註冊管理辦法》). These policies are geared towards a more market-oriented industry and a more consolidated market as well as healthy competition in, and sustainable development of, the pharmaceutical industry.

Future Trends of Pharmaceutical Market in China

The pharmaceutical market in China is expected to be influenced by the following trends:

- ***Growing market share of innovative pharmaceuticals:*** In recent years, the PRC government has promulgated a series of favorable policies on, including, among others, drug review and approval processes, protection of intellectual properties, tax reduction and exemption and talents introduction, to encourage the research and development, launch, as well as sales of innovative pharmaceuticals. In addition, the inclusion of innovative pharmaceuticals in the NRDL will further drive up patients' demand for innovative pharmaceuticals. As a result, it is expected that the market share of innovative pharmaceuticals will rise.

- ***Innovation from the biotechnology industry:*** The market potential for innovative pharmaceuticals in China is vast. With favorable policies, capital inflow and talents retainment, biotechnology companies with innovative pharmaceuticals under development or near commercialization are expected to play a more important role in the pharmaceutical market in China.

- ***Alignment with international clinical development and regulatory standards:*** Recently, China has joined the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, or ICH, as its eighth regulatory member, which is expected to further accelerate China's integration with international technical standards and guidelines.

- ***Increasing penetration and development speed of novel therapies:*** Attributable to China's integration with international technical standards and guidelines, as well as the relevant reform plans implemented by PRC government, the drug review and approval process in China has been accelerated. Moreover, eligible innovative pharmaceuticals may enjoy priority review and approval, which further shortens the duration of their drug review and approval process. Consequently, novel therapies may be launched in China and benefit patients in a more timely manner.

Recent Policies in Pharmaceutical Market in China

The PRC government has recently adopted the following policies in pharmaceutical market in China:

- ***Support for pharmaceutical innovation and research and development:*** The PRC government has recently adopted a series of laws, regulations and reform measures aimed at encouraging drug innovation and research and development. These include the "Guiding Opinions on Promoting the Healthy Development of the Pharmaceutical Industry" (《關於促進醫藥產業健康發展的指導意見》) issued by the General Office of the State Council in 2016, the "Opinion on Implementing Priority Review and Approval for Encouragement of Drug Innovation" (《關於鼓勵藥品創新實行優先審評審批的意見》) issued by NMPA in 2017 and the "Announcement on Optimizing Review and Approval of Drug Registration" (《關於優化藥品註冊審評審批有關事宜的公告》) issued by NMPA in 2018. Among others, these laws, regulations and reform measures extended intellectual properties protection for innovative pharmaceuticals, increased the affordability and availability of innovative pharmaceuticals, and introduced expedited review and approval processes for new drug application.

Competitive Landscape of Pharmaceutical Market in China

Our key competitors are large national and regional manufacturers of pharmaceutical products, including large State-owned pharmaceutical companies. We also compete with multinational pharmaceutical companies. The following table sets forth a comparison of our key competitors and their major drug assets:

Group	Type	Headquarters	Year of Establishment	Listing status	Major therapeutic areas	Major drug assets
Group D	Domestic	China	1995	Listed	Oncology, infectious diseases, neurological diseases, cardiovascular diseases, digestive system diseases and diabetes	Pulaile (普來樂) Mailingda (邁靈達) Oulanning (歐蘭寧) Punuoan (普諾安) Ruiqi (瑞琪) Fulaidi (孚來迪)
Group O	Domestic	China	1992	Listed	Infectious diseases, cardiovascular and cerebrovascular diseases, neurological diseases, respiratory disease, digestive system diseases, hematological and hemopoietic organ diseases, and musculoskeletal diseases	Zhongnuojialin (中諾嘉林) Qimaite (奇邁特) Zhongnuoping (中諾平) Gubang (固邦) Shuluoke (舒羅克) Oujian (歐健)
Group U	Domestic	China	1970	Listed	Oncology, infectious disease, endocrine diseases, cardiovascular diseases, anesthetics and contrast agent	Aiheng (艾恒) Aimeining (艾美寧) Hengsu (恒蘇) Beibang (貝邦) Aiyang (艾陽) Fuxin (芙欣)
Group V	Multinational	Switzerland	1896	Listed	Oncology, immunological diseases, infectious disease, neurological diseases and ophthalmic diseases	Herceptin (赫賽汀) Rituxan (美羅華) Avastin (安維汀) Alecensa (安聖莎) Hemlibra (舒友立樂) Rocephin (羅氏芬)
Group W	Multinational	United Kingdom	1999	Listed	Oncology, cardiovascular diseases, renal diseases, metabolic diseases, respiratory diseases, neurological diseases, immunological diseases and anesthetics	Iressa (易瑞沙) Arimidex (瑞寧地) Kombiglyze (安立格) Byetta (百泌達) Seroquel (思瑞康) Lokelma (利倍卓)
Group X	Multinational	United States	1849	Listed	Oncology, infectious diseases, cardiovascular diseases, neurological diseases, inflammatory diseases, hemophilia and vaccines	Cytosar (賽德薩) Zavedos (善唯達) Lipitor (立普妥) Norvasc (絡活喜) BeneFIX (貝賦) Lyrica (樂瑞卡)

- ***Quality and efficacy consistency evaluation of generic pharmaceuticals:*** In March 2016, the General Office of the State Council issued the "Opinion on Conducting the Quality and Efficacy Consistency Evaluation of Generic Drugs" (《國務院辦公廳開展仿製藥質量和療效一致性評價的意見》), which requires a consistency evaluation for certain generic pharmaceuticals. Please see "Regulatory Overview – Laws and Regulations Relating to Drugs – Laws and Regulations on Drug Registration – Registration of Generic Drugs" for more details about this regulation. Generic pharmaceuticals that have passed the consistency evaluation are entitled to certain benefits in their commercialization, such as preferential treatment in centralized tender process and medical insurance programs, among others. The consistency evaluation is vital to the pharmaceutical industry in China because the sales revenue of generic pharmaceuticals accounts for a significant proportion of the total healthcare expenditure. Since implementation of consistency evaluation requirements, generic pharmaceuticals failing to pass consistency evaluation are expected to be gradually eliminated and generic pharmaceuticals that are first to pass consistency evaluation are expected to benefit from certain favorable policies, thereby improving the overall quality of generic pharmaceuticals in China. Meanwhile, less competitive pharmaceutical companies will be driven out of the market while competitive ones will continue to leverage their product advantages, thereby further increasing market concentration.

- ***Centralized volume-based drug procurement:*** In November 2018, the Joint Procurement Office led by the State Administration for Medical Insurance published the "Papers on Centralized Drug Procurement in "4+7" Cities" (《4+7城市藥品集中採購文件》), which launched the national pilot scheme for centralized volume-based drug procurement. In January 2019, the General Office of the State Council published the "Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State" (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), which provided additional detailed measures in the implementation of the national pilot scheme for centralized volume-based drug procurement in the "4+7" cities. In September 2019, the Joint Procurement Office published the "Papers on Centralized Drug Procurement in Alliance Areas" (《聯盟地區藥品集中採購文件》), which further expanded the scope of centralized volume-based drug procurement to 25 provinces and autonomous regions (except for the "4+7" cities). In December 2019, the Joint Procurement Office published the "Papers on Centralized Drug Procurement Nationwide" (《全國藥品集中採購文件》), listing 33 drugs for centralized procurement along with an intended volume commitment for each drug. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Tender Process – The Centralized Volume-based Drug Procurement in "4+7 Cities" and Wider Areas" for more details. The implementation of these schemes impacts prices and procurements of pharmaceuticals in China.

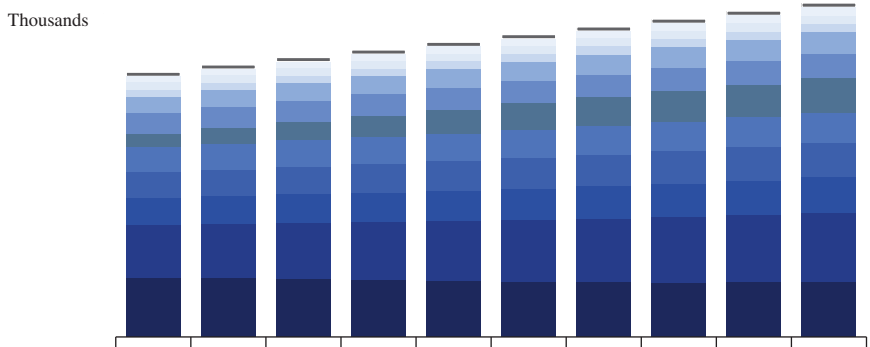
PHARMACEUTICAL MARKET IN CHINA BY THERAPEUTIC AREAS

Among the vast pharmaceutical market in China, we strategically focus on three therapeutic areas, namely, oncology, central nervous system diseases and autoimmune diseases, with a diversified and leading product portfolio. In terms of sales revenue of pharmaceuticals in 2019, these three therapeutic areas as a whole accounted for 24.7% of the entire pharmaceutical market in China.

Oncology Pharmaceutical Market in China

Oncology is a branch of medicine that deals with screening, diagnosis, and treatment of tumors, a type of neoplasm formed by the proliferation of certain cells under the action of various tumorigenic factors. According to the cellular characteristics and the harmfulness, tumors can be classified into benign ones and malignant ones, which are also called, cancer. Due to increasing stress in life and work, and existence of unhealthy living habits, cancer incidence in China shows an increasing trend as a whole, growing from 4.0 million in 2015 to 4.4 million in 2019 and being expected to reach 5.0 million in 2024.

Incidence by Cancer Types in China, 2015-2024E



	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Total	3,952.4	4,061.5	4,172.4	4,285.0	4,399.7	4,514.4	4,629.6	4,746.7	4,865.4	4,986.0
Bile Duct	62.6	63.0	63.3	63.6	63.8	64.1	64.4	64.6	64.8	65.0
Pancreas	95.0	98.2	101.5	104.9	108.4	112.0	115.6	119.4	123.2	127.1
Brain, CNS	106.0	108.3	110.6	112.8	115.1	117.3	119.5	121.8	124.0	126.1
Cervix	111.0	112.7	114.2	115.7	117.1	118.4	119.6	120.7	121.6	122.5
Esophagus	246.0	254.4	262.9	271.6	280.4	289.4	298.5	307.7	317.1	326.6
Breast	304.0	309.6	315.2	320.7	326.2	331.5	336.8	341.9	346.9	351.5
Thyroid	201.0	238.4	275.6	315.5	356.5	395.8	433.3	463.7	491.5	517.1
Liver	370.0	380.0	390.1	400.2	410.4	420.7	431.1	441.6	452.1	462.8
Colorectum	388.0	400.7	413.6	426.7	440.0	453.5	467.3	481.2	495.3	509.6
Stomach	403.0	415.9	429.0	442.3	455.8	469.5	483.3	497.3	511.5	525.8
Lung	787.0	813.4	840.2	867.5	895.3	923.5	952.1	981.1	1,010.6	1,040.4
Others	878.8	867.1	856.3	843.5	830.8	818.8	808.0	805.7	806.8	811.5

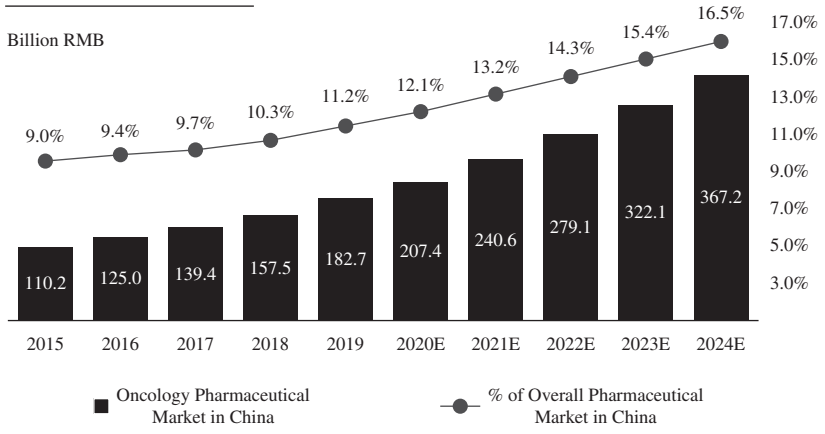
Source: NCCR, Frost & Sullivan analysis

Among all types of cancer in China, NSCLC has the highest incidence. In 2019, there were 895.3 thousand lung cancer incidence in China, of which 761.0 thousand, or approximately 85%, were recorded as NSCLC. With the improvement of diagnosis and treatment, and the combination of various types of pharmaceuticals, the survival period of NSCLC patients is expected to be prolonged continuously. In conjunction with increases in NSCLC patients and their disposable income, as well as expansion of medical insurance coverage, the demand for NSCLC pharmaceuticals is expected to grow rapidly in the future. Besides, SCLC incidence in China has also shown an upward trend in recent years, reaching 134.3 thousand in 2019. Moreover, digestive system cancers such as gastric cancer, colorectal cancer, liver cancer and esophagus cancer also ranked high among all types of cancer in China in terms of incidence in 2019, indicating vast market potential.

Currently, cancer treatment options primarily include surgery, radiotherapy, chemotherapy, targeted therapy and immuno-oncology therapy, among which targeted therapy and immuno-oncology therapy are commonly used in the United States, while chemotherapy is mainly used in China. With the increasing cancer incidence in China, the demand for oncology pharmaceuticals is expected to grow continuously. The oncology pharmaceutical market in China grew from RMB110.2 billion in 2015 to RMB182.7 billion in 2019, representing 11.2% of the overall pharmaceutical market in China, and is expected to further grow to RMB367.2 billion, or 16.5% of the overall pharmaceutical market in China, in 2024.

Oncology Pharmaceutical Market in China, 2015-2024E

Period	CAGR
2015-2019	13.5%
2020E-2024E	15.4%



Source: Frost & Sullivan analysis

In China, pharmaceuticals used for cancer treatment mainly consist of chemotherapy pharmaceuticals, targeted therapy pharmaceuticals and immuno-oncology therapy pharmaceuticals, among which chemotherapy pharmaceuticals dominated the entire oncology pharmaceutical market with a market share of 72.6% in 2019, while targeted therapy pharmaceuticals and immuno-oncology therapy pharmaceuticals accounted for 23.4% and 4.0%, respectively, of the oncology pharmaceutical market in the same year.

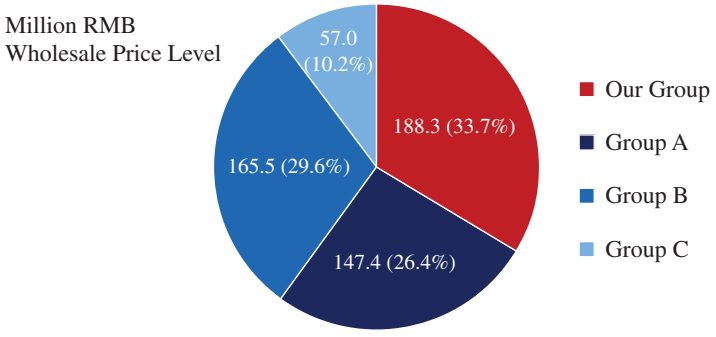
Chemotherapy

Chemotherapy uses one or more pharmaceuticals to inhibit DNA synthesis, RNA transcription, protein synthesis, cells division and/or topoisomerase function, or otherwise kill tumor cells or control their growth. As a systemic treatment, chemotherapy is effective for patients with specific types of tumor and at specific stages of disease development.

Nedaplatin Pharmaceuticals

Platinum-based pharmaceuticals function by binding to DNAs to interfere with their replication, thereby preventing the division and growth of tumor cells. As a second-generation platinum-based pharmaceutical, nedaplatin is more soluble in water and appears to be less toxic to kidney and digestive system compared with cisplatin, the first-generation platinum-based pharmaceutical, and therefore more suitable for elderly patients as well as patients with renal insufficiency. The sales revenue of nedaplatin in China in 2019 totaled RMB558.2 million. With Jepaso (nedaplatin for injection), one of our major products, we ranked first in nedaplatin pharmaceutical market in China in terms of sales revenue in 2019.

Competitive Landscape of Nedaplatin Pharmaceutical Market in China, 2019



Source: Frost & Sullivan analysis

Selected Information of Top Four Players in Nedaplatin Pharmaceutical Market in China in 2019

Rank	Group	Year of Establishment	Headquarters	Business Focus	Listing Status
1	Our Group	1995	China	Pharmaceutical manufacturing	Private
2	Group A	1958	China	Pharmaceutical manufacturing	Private
3	Group B	2003	China	Pharmaceutical manufacturing	Listed
4	Group C	2000	China	Pharmaceutical manufacturing	Private

Source: Company website, Frost & Sullivan analysis

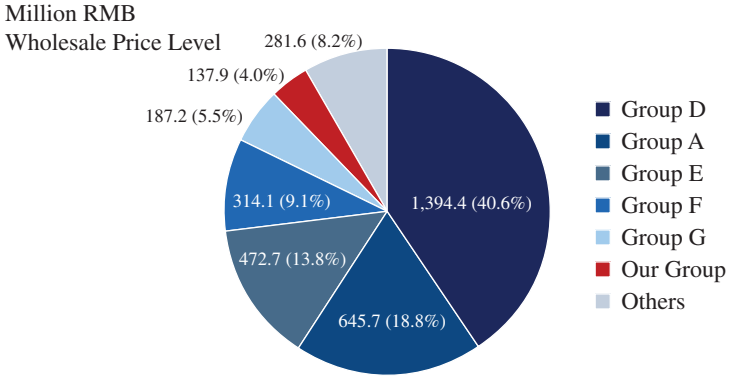
Intraoperative Chemotherapy Pharmaceuticals

Surgery is the major treatment option for various tumors, including digestive system tumors. However, many oncology patients suffer recurrence after resection of the tumor lesions due to intraoperative implantation and metastases of tumor cells. Intraoperative chemotherapy is considered effective in reducing recurrence risks as well as improving prognosis of patients with digestive system tumors. The sales revenue of intraoperative chemotherapy pharmaceuticals for digestive system tumors in China grew from RMB0.7 billion in 2015 to RMB2.1 billion in 2019, and is expected to grow further at a CAGR of 13.8% from RMB2.5 billion in 2020 to RMB4.2 billion in 2024. As of the Latest Practicable Date, there were three intraoperative chemotherapy pharmaceuticals available on market in China for treatment of digestive system tumors, namely, lobaplatin, raltitrexed and 5-fluorouracil implant. Among them, Sinofuan (5-fluorouracil implants), one of our major products, and the only 5-fluorouracil implant in the market, took up a market share of 6.6% in terms of sales revenue in 2019.

Pemetrexed Pharmaceuticals

Pemetrexed is a folate analog metabolic inhibitor that disrupts folate-dependent metabolic processes essential for cell replication and thereby prevents the growth of tumor cells. Pemetrexed is suitable as a first-line treatment for NSCLC and malignant pleural mesothelioma. The sales revenue of pemetrexed pharmaceuticals in China grew from RMB2.4 billion in 2015 to RMB3.4 billion in 2019, representing a CAGR of 9.5%, and is expected to grow further at a CAGR of 10.7% from RMB3.4 billion in 2020 to RMB5.1 billion in 2024. With Jiebaili (pemetrexed disodium for injection), one of our major products, we ranked sixth in pemetrexed pharmaceutical market in China in terms of sales revenue in 2019.

Competitive Landscape of Pemetrexed Pharmaceutical Market in China, 2019



Source: Frost & Sullivan analysis

Selected Information of Top Five Players in Pemetrexed Pharmaceutical Market in China in 2019

Rank	Group	Year of Establishment	Headquarters	Business Focus	Listing Status
1	Group D	1995	China	Pharmaceutical manufacturing	Listed
2	Group A	1958	China	Pharmaceutical manufacturing	Private
3	Group E	2010	China	Pharmaceutical manufacturing	Private
4	Group F	1876	United States	Pharmaceutical manufacturing	Listed
5	Group G	1971	China	Pharmaceutical manufacturing	Private

Source: Company website, Frost & Sullivan analysis

Targeted Therapies

Targeted therapy typically uses small-molecule pharmaceuticals or monoclonal antibodies to target identified drivers of cancer growth, which could be protein molecules inside tumor cells or gene segments, at the cellular and molecular level. After entering into human body, targeted therapy pharmaceuticals specifically combine with carcinogenic sites and kill tumor cells without affecting the surrounding normal tissue cells.

Targeted Therapy Pharmaceuticals for NSCLC

Based on the size of tumor, lymph node infiltration by cancer cells and conditions of metastasis, lung cancer can be classified into multiple stages. While surgery, chemotherapy and radiotherapy are optimal treatment options for stage I to stage III NSCLC patients, targeted therapy is primarily involved in treatment of patients with initial or recurrent stage III/IV NSCLC. In China, the sales revenue of targeted therapy drug for NSCLC grew rapidly from RMB5.3 billion in 2015 to RMB20.8 billion in 2019, representing a CAGR of 40.8%, and is expected to grow further at a CAGR of 27.1% from 2020 to 2024, reaching RMB77.1 billion in 2024. Among all categories of targeted pharmaceuticals for NSCLC in China, recombinant human endostatin ranked seventh in terms of sales revenue in 2019 with a market share of 5.9%. Endostar (recombinant human endostatin injection), one of our major products, is the only recombinant human endostatin approved for sale in China. In addition, we are currently conducting the phase Ib clinical trials for PEG-ENDO, which enhances pharmacokinetic properties of Endostar, expecting it to help us further expand our market share in the market of targeted pharmaceuticals for NSCLC in China. We are also conducting the pivotal registrational trials for our bevacizumab biosimilar product candidate for treatment of advanced non-squamous NSCLC.

Targeted Therapy Pharmaceuticals for Ovarian Cancer

In recent years, ovarian cancer incidence in China shows an upward trend from 50.2 thousand in 2015 to 53.9 thousand in 2019, and is forecasted to grow further at a CAGR of 1.5% from 54.8 thousand in 2020 to 58.1 thousand in 2024, indicating increasing market demand for relevant pharmaceuticals.

As of June 30, 2020, there were two targeted pharmaceuticals for ovarian cancer approved for sale in China. In addition, there were 12 targeted pharmaceutical candidates for ovarian cancer pending NDA approval or at clinical stages in China as of June 30, 2020, among which six are biologics and six are chemical drugs. We are currently conducting the phase I clinical trials in China for sevacizumab, a biological pharmaceutical candidate for treatment of ovarian cancer that targets the pro-angiogenic function of VEGF and thereby inhibits the angiogenesis, growth and metastasis of tumors.

Targeted Therapy Pharmaceuticals for Solid Tumors

NTRK gene fusion leads to abnormal proteins that may induce tumor cell proliferation and constitutively activate downstream oncogenic signaling pathways. As a potential treatment option for various solid tumors driven by NTRK gene fusion, NTRK small molecule inhibitor functions by inhibiting the kinase activity of NTRK. As of June 30, 2020, there was no NTRK small molecule inhibitor approved for sale in China and four NTRK small molecule inhibitor candidates were at clinical stages in China. We have a multi-kinase (including NTRK) inhibitor candidate and we have submitted the IND application for this product candidate in China.

Cyclin-dependent kinases 4 and 6, or CDK4/6, are key regulatory factors in cell cycle progression, while CDK4/6 inhibitors function by inhibiting CDK4/6 activity and resuming cell cycle control, thereby preventing tumor cell proliferation. CDK4/6 inhibitors have shown efficacy in treating certain solid tumors, such as SCLC and breast cancer. As of June 30, 2020, there was only one CDK4/6 targeted pharmaceutical approved for sale in China. In addition, there were 13 CDK4/6 targeted pharmaceutical candidates at clinical stages in China as of June 30, 2020. We are currently preparing for the IND application in China for Trilaciclib, a CDK4/6 targeted chemical pharmaceutical candidate for treatment of chemotherapy-induced myelosuppression in SCLC and certain other solid tumors.

Immuno-Oncology Therapies

Immuno-oncology therapy aims to stimulate a person's immune system in order to more effectively treat cancer. Immuno-oncology therapy is able to provide durable remission and is well-tolerated in advanced oncology patients, therefore, it is considered a revolutionary therapy for oncology treatment. Immuno-oncology therapies mainly include cell therapies, immune checkpoint monoclonal antibodies, therapeutic cancer vaccines and cytokines. The market size of immuno-oncology therapies in China grew rapidly from RMB0.7 billion in 2015 to RMB7.4 billion in 2019, and is expected to grow further at a CAGR of 59.9% from RMB15.0 billion in 2020 to RMB97.9 billion in 2024.

CAR T-cell Therapy Products

A majority of immune oncology therapies achieve antineoplastic effect through T cells. Chimeric antigen receptor T cells, or CAR T-cells, represent T cells that have been genetically engineered to express an artificial T-cell receptor and therefore become able to target a specific antigen. CAR T-cell therapy makes use of such T cells for oncology treatment and shows better clinical efficacy and long-lasting effect with shorter treatment duration.

As of June 30, 2020, there were two CAR T-cell therapy products approved for sale outside of China with their global sales revenue totaled USD734 million in 2019. As of June 30, 2020, there was no CAR T-cell therapy product approved for sale in China, while there were 16 CAR T-cell therapy product candidates at clinical stages in China. We have obtained IND approvals for our three CAR T-cell therapy product candidates in China. For our CD19 CAR T-cell therapy candidate of r/r CD19 positive B-cell non-Hodgkin's lymphoma indication, we are currently conducting phase I clinical trials in China and expect such clinical trials to be completed by the end of 2020. For our CD19 CAR T-cell therapy candidate of r/r CD19 positive B-cell acute lymphoblastic leukemia indication, we plan to initiate phase I clinical trials in China in 2021. For BCMA CAR T-cell therapy, we plan to initiate phase I clinical trials in China in the second half of 2020.

Anti-PD-1/PD-L1 Therapy Pharmaceuticals

PD-1 is a protein found on T cells which, when binding to PD-L1 (the ligand of PD-1), leads to T-cell anergy and blocks antitumor immune responses. PD-1/PD-L1 monoclonal antibodies are immune checkpoint inhibitors which target PD-1 and PD-L1, and function by blocking the binding between PD-1 and PD-L1, recovering the function of T cells, and consequently boosting immune responses to tumor cells. PD-1/PD-L1 monoclonal antibodies have shown higher therapeutic efficacy on various oncology indications and have fewer side effects compared to chemotherapy pharmaceuticals. The sales revenue of PD-1/PD-L1 monoclonal antibodies in China in 2019 totaled RMB6.3 billion, and is expected to grow rapidly at a CAGR of 56.1% from RMB13.8 billion in 2020 to RMB81.9 billion in 2024.

As of June 30, 2020, there were eight PD-1/PD-L1 monoclonal antibodies approved for sale in China. We have obtained the exclusive promotion right in respect of oncology treatment indications of a PD-L1 inhibitor known as KN035 in China. Our collaboration partners are currently conducting phase II clinical trials of KN035 for dMMR/MSI-H colorectal carcinoma and other advanced solid tumors and phase III clinical trials for advanced BTC in mainland China as well as phase I clinical trials in the United States and Japan. We are currently conducting pre-clinical studies on combination therapy candidates with KN035 for treatment of solid tumors.

Key Drivers and Future Trends of Oncology Pharmaceutical Market in China

The oncology pharmaceutical market in China is expected to continue its growth leveraging several key drivers, including significant unmet clinical demands, increase in patients' affordability and willingness to pay for treatment, favorable government policies to support the development of innovative pharmaceuticals as well as combination therapies. The oncology pharmaceutical market in China is also expected to be influenced by several trends, including more targeted treatment to oncology diseases, broader application of combination therapies, larger amount of generic pharmaceuticals as well as biosimilars, further inclusion of oncology pharmaceuticals in the NRDL and longer survival period of oncology patients.

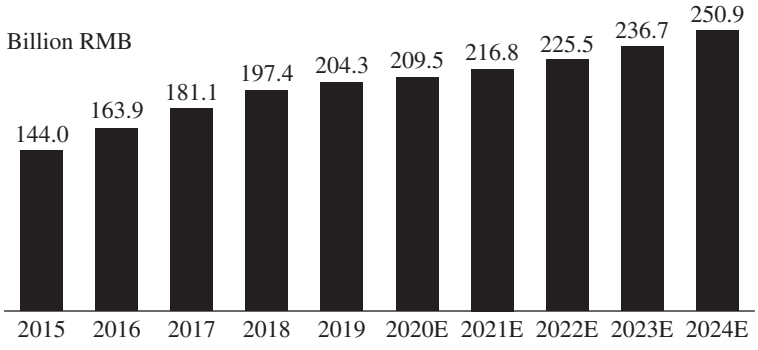
Central Nervous System Pharmaceutical Market in China

Central nervous system, a part of nervous system, consists of brain and spinal cord and controls awareness, sensations, thoughts and movements of the body. Central nervous system diseases refer to a group of neurological disorders that affect the structure or function of brain or spinal cords, primarily include neurodegeneration, functional disorders, structural disorders, central nervous system infections and demyelinating diseases.

Due to high prevalence rate of central nervous system diseases in China, market demand for relevant pharmaceuticals has become huge. The sales revenue of central nervous system pharmaceuticals in China grew from RMB144.0 billion in 2015 to RMB204.3 billion in 2019, representing a CAGR of 9.1%, and is expected to grow further at a CAGR of 4.6% from 2020 to 2024, reaching RMB250.9 billion in 2024.

Central Nervous System Pharmaceutical Market in China, 2015-2024E

Period	CAGR
2015-2019	9.1%
2020E-2024E	4.6%



Source: Frost & Sullivan analysis

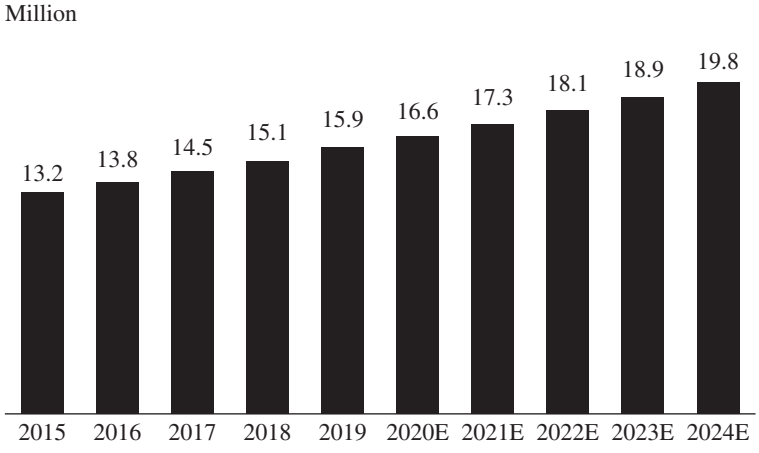
Neuroprotection Following Stroke

Stroke is one of the major central nervous system diseases which occurs when a blood vessel that carries oxygen and nutrients to brain is blocked by a clot or bursts, therefore disrupting the flow of blood carrying essential oxygen and resulting in the death of nerve cells. Patients with acute ischemic stroke need to receive specific treatments. In particular, compared to thrombolytic therapies which improves cerebral blood circulation of patients, statins and neuroprotective pharmaceuticals can improve prognosis of patients, thereby minimizing potential damage as well as recurrence risk.

In China, the prevalence of stroke grew at a CAGR of 4.7% from 13.2 million in 2015 to 15.9 million in 2019, and is expected to continue to grow at a CAGR of 4.5% from 16.6 million in 2020 to 19.8 million in 2024, indicating increasing market demand for relevant pharmaceuticals.

Prevalence of Stroke in China, 2015-2024E

Period	CAGR
2015-2019	4.7%
2020E-2024E	4.5%

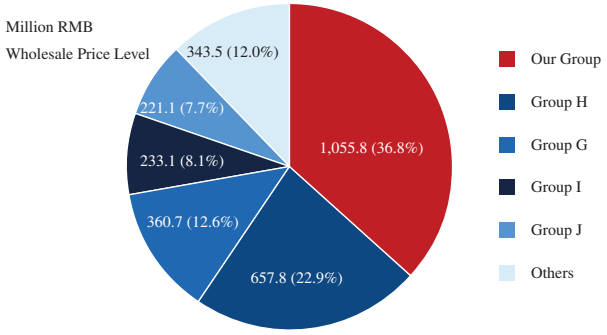


Source: Frost & Sullivan analysis

Commonly-used neuroprotective pharmaceuticals primarily include calcium channel blockers, free radical scavengers, membrane stabilizing agents, glutamate antagonists. The representative pharmaceutical of free radical scavengers is edaravone, which accounted for 11.6% of the neuroprotective pharmaceutical market in China in terms of sales revenue in 2019. Since 2015, local governments in the PRC have successively issued policies to regulate the usage of ancillary pharmaceuticals in medical institutions. In June 2019, the PRC government issued the "First Batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products)" (《第一批國家重點監控合理用藥藥品目錄(化藥和生物製品)》) which included neuroprotective pharmaceuticals. Similar to the overall neuroprotective pharmaceutical market, edaravone pharmaceutical market in China has also

experienced shrinkage since 2016. The sales revenue of edaravone in China in 2019 totaled RMB2.9 billion, of which RMB1.1 billion was generated by Bicun (edaravone injection), our major product. With a market share of 36.8%, we ranked first in edaravone pharmaceutical market in China in terms of sales revenue in 2019. We also hold a leading position in neuroprotective pharmaceutical market in China.

Competitive Landscape of Edaravone Pharmaceutical Market in China, 2019



Source: Frost & Sullivan analysis

Selected Information of Top Five Players in Edaravone Pharmaceutical Market in China in 2019

Rank	Group	Year of Establishment	Headquarters	Business Focus	Listing Status
1	Our Group	1995	China	Pharmaceutical manufacturing	Private
2	Group H	2003	China	Pharmaceutical manufacturing	Listed
3	Group G	1971	China	Pharmaceutical manufacturing	Private
4	Group I	1996	China	Pharmaceutical manufacturing	Private
5	Group J	2003	China	Pharmaceutical manufacturing	Listed

Source: Company website, Frost & Sullivan analysis

In recent years, the prevalence of stroke increased year by year in China, indicating increasing market demand for relevant pharmaceuticals. Meanwhile, the restricted clinical use of neuroprotective pharmaceuticals led to a decrease in the prescription for pharmaceuticals for treatment of stroke, therefore releasing vast market potential for innovative pharmaceuticals with an intended indication of stroke. As of June 30, 2020, there were 12 pharmaceutical candidates for treatment of stroke at clinical stages or pending NDA approval in China, two of which were developed by us. We obtained the NDA approval for Sanbexin (edaravone and dexborneol concentrated solution for injection) in July 2020 and launched this pharmaceutical in China in August 2020. It is the only pharmaceutical for the treatment of stroke to obtain approval for sale in the past five years worldwide. We are also conducting the phase I clinical trials for Y-2 sublingual tablets in China. With Sanbexin and Y-2 sublingual tablets, we expect to further enhance our market penetration in stroke pharmaceutical market in China and to capture future business opportunities therein.

Cerebral Edema

Cerebral edema, a severe clinical complication of acute ischemic stroke, refers to life-threatening swelling of the brain due to excess accumulation of fluid in intracellular or extracellular spaces of the brain. Clinically significant cerebral edema requires medical intervention. Incidence of clinically significant cerebral edema in China grew from 551.3 thousand in 2015 to 677.5 thousand in 2019, and is expected to grow further at a CAGR of 3.1% from 2020 to 2024, reaching 793.4 thousand in 2024. In China, commonly-used pharmaceuticals for treatment of cerebral edema caused by acute ischemic stroke include mannitol, glycerol fructose and furosemide.

Aquaporin-4 (AQP4) inhibitor is a potential option for treatment and control of cerebral edema. Aquaporins are membrane proteins in the membrane of biological cells, mainly facilitating transportation of water between cells, while AQP4, a subtype of aquaporin, contributes most to brain fluid regulation. AQP4 inhibitor functions by decreasing expression level of AQP4 and thereby treating and controlling cerebral edema. As of June 30, 2020, there was no AQP4 inhibitor approved for sale worldwide, and no AQP4 inhibitor was under clinical research in China. Therefore, it is expected to be a first-in-class innovative pharmaceutical. We have an AQP4 inhibitor candidate. We are currently preparing for IND application for this product candidate and expect to initiate phase I clinical trials in China in 2021.

Key Drivers and Future Trends of Central Nervous System Pharmaceutical Market in China

The central nervous system pharmaceutical market in China is expected to continue its growth leveraging several key drivers, including increasing number of patients as well as their increasing disposable income, launch of new products and indication expansion of existing products. The central nervous system pharmaceutical market in China is also expected to be influenced by several trends, including development of innovative central nervous system pharmaceuticals, the launch of a large number of generic pharmaceuticals and the issuance of guidance on clinical use of central nervous system pharmaceuticals.

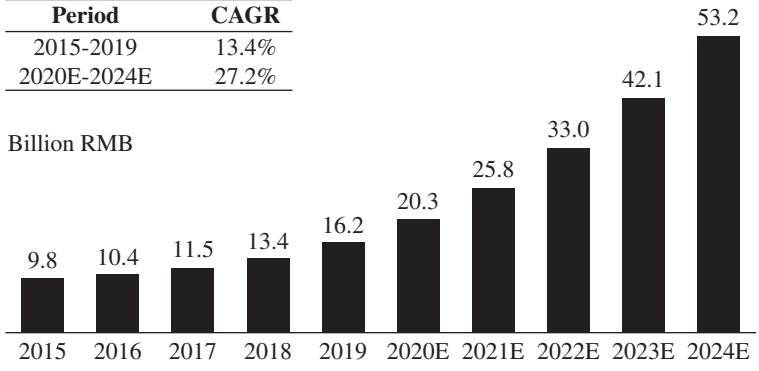
Autoimmune Pharmaceutical Market in China

Autoimmune diseases occur when the immune system mistakenly attacks a person's own tissues and organs. There are approximately 100 types of autoimmune disorders, which can affect substantially all parts of human body, including brain, heart, nerves, blood vessels, eyes, lungs, kidneys, glands, digestive tract, joints, muscles and skin. Based on the targeted antigen, autoimmune diseases can be classified into systemic ones where immune system attacks self-antigens in several organs, and organ-specific ones where immune response targets antigens in a single organ.

Patients of autoimmune diseases suffer from impairment of physical function and decreases in quality of life, productivity and social participation, and require careful nursing as well as continuous and expensive pharmaceutical treatment, thus imposing a substantial burden on patients, carers and the society. Autoimmune diseases are associated with generic factors. They have complex mechanisms and diverse clinical manifestations. By far, limited disease-modified therapies are available for autoimmune diseases as it's hard to identify specific antigens. While systemic immunosuppressive therapy broadly suppresses immune activation, and is considered the major clinical treatment option for autoimmune diseases, all currently available therapies do not cure autoimmune diseases and also cause a variety of side effects, including infections, hematological system impairment, bone mineral density loss, glucose intolerance, metabolic imbalance and psychiatric disturbance.

With the increases in prevalence of autoimmune diseases, sales revenue of the relevant pharmaceuticals in China grew from RMB9.8 billion in 2015 to RMB16.2 billion in 2019, and is expected to grow rapidly at a CAGR of 27.2% from 2020 to 2024, reaching RMB53.2 billion in 2024.

Autoimmune Pharmaceutical Market in China, 2015-2024E



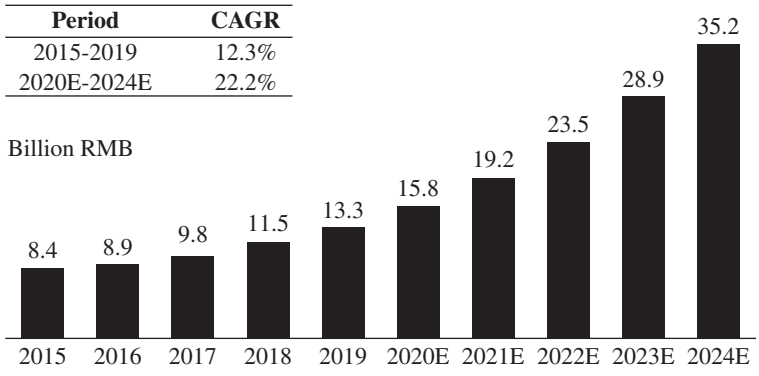
Source: Frost & Sullivan analysis

Rheumatoid Arthritis

Rheumatoid arthritis is a long-term systemic autoimmune disorder characterized by chronic inflammation in the synovium of joints and pannus formation in joint cavities, leading to destruction of both cartilaginous and bony elements of joints and eventually resulting in joint stiffness, tumidness, pain, deformity and destruction. Although there is no cure for rheumatoid arthritis, clinical studies have indicated that long-term and routine use of DMARDs at early stage of diseases can alleviate symptoms as well as postpone the progression of diseases. In the event of failure of pharmaceutical treatment, patients may receive surgeries to repair, reconstruct or replace damaged joints.

In China, the prevalence of rheumatoid arthritis grew at a CAGR of 0.6% from 5.8 million in 2015 to 5.9 million in 2019, and is expected to continue to grow at a CAGR of 0.7% from 6.0 million in 2020 to 6.1 million in 2024. Meanwhile, the sales revenue of rheumatoid arthritis pharmaceuticals in China increased rapidly from RMB8.4 billion in 2015 to RMB13.3 billion in 2019, representing a CAGR of 12.3%, and is expected to increase further at a CAGR of 22.2% from 2020 to 2024, reaching RMB35.2 billion in 2024.

Rheumatoid Arthritis Pharmaceutical Market in China, 2015-2024E



Source: Frost & Sullivan analysis

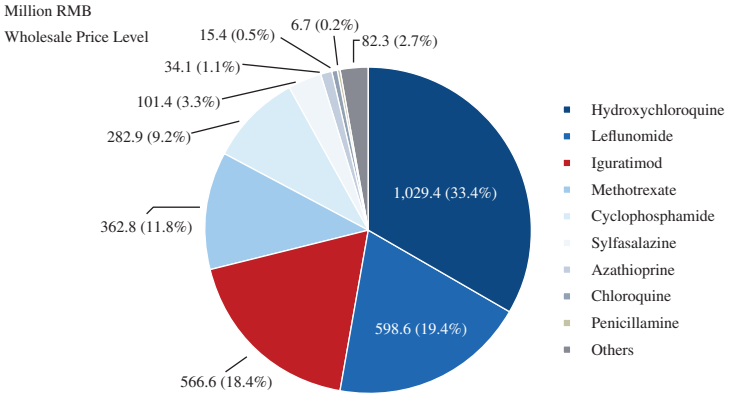
Currently, pharmaceuticals for treatment of rheumatoid arthritis include conventional synthetic DMARDs, other DMARDs (mainly comprising biological DMARDs and targeted synthetic DMARDs), glucocorticoid and non-steroidal anti-inflammatory pharmaceuticals. Conventional synthetic DMARDs and targeted synthetic DMARDs are collectively referred to as small molecule DMARDs.

Conventional Synthetic DMARDs

Conventional synthetic DMARDs are widely recognized as the first-line therapy pharmaceuticals for rheumatoid arthritis.

The sales revenue of conventional synthetic DMARDs in China grew from RMB1.9 billion in 2015 to RMB3.1 billion in 2019, representing a CAGR of 12.4%, and is forecasted to grow further at a CAGR of 11.2% from RMB3.8 billion in 2020 to RMB5.8 billion in 2024. Commonly-used conventional synthetic DMARDs mainly include methotrexate, leflunomide, sulfasalazine, hydroxychloroquine and iguratimod. Iremod (iguratimod tablets), one of our major products and the only iguratimod drug in the market, took up a market share of 18.4% in terms of sales revenue in China in 2019.

Competitive Landscape of Conventional Synthetic DMARDs Market in China, 2019



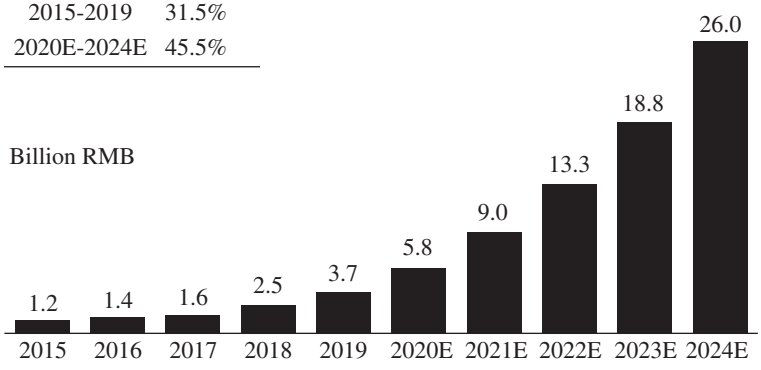
Source: Frost & Sullivan analysis

Other DMARDs

Other DMARDs mainly consist of biological DMARDs and targeted synthetic DMARDs, both of which are effective in alleviating symptoms for, and may suppress joint damage and deformities of, patients with moderate or severe active rheumatoid arthritis. Other DMARDs mainly include tocilizumab, adalimumab, golimumab, infliximab, etanercept, tofacitinib and baricitinib. Biological DMARDs are part of biological pharmaceuticals for treatment of autoimmune diseases, the sales revenue of which grew at a CAGR of 31.5% from RMB1.2 billion in 2015 to RMB3.7 billion in 2019, and is expected to grow rapidly at a CAGR of 45.5% from RMB5.8 billion in 2020 to RMB26.0 billion in 2024 in China, indicating vast market potential.

Market of Biological Pharmaceuticals for Autoimmune Diseases in China, 2015-2024E

Period	CAGR
2015-2019	31.5%
2020E-2024E	45.5%



Source: Frost & Sullivan analysis

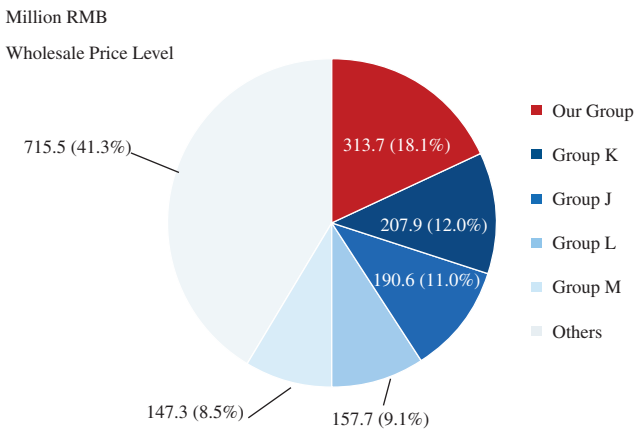
T-cell activation is considered to be one of the core pathogenesis of rheumatoid arthritis. Abatacept injection, the first and only CTLA4-Fc fusion protein approved for sale in China and the first and only selective T-cell co-stimulation modulator in the autoimmune disease therapeutic area worldwide, is a new type of biological DMARDs with a unique mechanism of action which prevents activation of T cells by binding to the natural ligands CD80 and CD86 on antigen-presenting cells, thereby blocking their interaction with CD28 on the T cells, and consequently reduces inflammation. According to another head-to-head comparison study in 2019, abatacept injection shows higher efficacy among HLA-DRB1 SE-positive patients compared with adalimumab. In China, the prevalence of HLA-DRB1 SE-positive rheumatoid arthritis was 4.7 million in 2019.

Non-steroidal Anti-inflammatory Pharmaceuticals

Non-steroidal anti-inflammatory pharmaceuticals can be used to reduce acute inflammation caused by rheumatoid arthritis, therefore alleviating pain and improving function of involved joint. For patients with moderate or severe active rheumatoid arthritis, non-steroidal anti-inflammatory pharmaceuticals can be used in combination with DMARDs. Non-steroidal anti-inflammatory pharmaceuticals are also widely used for treatment of pains caused by other diseases, such as osteoarthritis, migraine and periodontitis.

The sales revenue of non-steroidal anti-inflammatory pharmaceuticals in China grew from RMB13.1 billion in 2015 to RMB21.8 billion in 2019, representing a CAGR of 13.6%, and is forecasted to grow further at a CAGR of 12.0% from RMB24.8 billion in 2020 to RMB39.0 billion in 2024. Non-steroidal anti-inflammatory pharmaceuticals mainly include aspirin, ibuprofen, celecoxib and diclofenac sodium. We ranked first in mono-ingredient diclofenac sodium pharmaceutical market in China in terms of sales revenue in 2019, with a market share of 18.1%.

Competitive Landscape of Mono-ingredient Diclofenac Sodium Pharmaceutical Market in China, 2019



Source: Frost & Sullivan analysis

Selected Information of Top Five Players in Mono-ingredient Diclofenac Sodium Pharmaceutical Market in China in 2019

Rank	Group	Year of Establishment	Headquarters	Business Focus	Listing Status
1	Our Group	1995	China	Pharmaceutical manufacturing	Private
2	Group K	1996	Switzerland	Pharmaceutical manufacturing	Listed
3	Group J	2003	China	Pharmaceutical manufacturing	Listed
4	Group L	1917	Germany	Pharmaceutical manufacturing	Private
5	Group M	1992	China	Pharmaceutical manufacturing	Listed

Source: Company website, Frost & Sullivan analysis

Gout

Gout is a common but complex form of metabolic disease caused by disruption of metabolism of uric acid. When uric acid crystals accumulate in joints, gouty arthritis may occur. In recent years, gout prevalence in China has shown an upward trend from 23.9 million in 2015 to 32.0 million in 2019, and is forecasted to grow further at a CAGR of 6.1% from 34.2 million in 2020 to 43.3 million in 2024.

Selective URAT1 inhibitor is a new treatment option for gout. It functions by selectively inhibiting the re-absorption of uric acid by URAT1 and increasing the excretion of uric acid, thereby significantly controlling blood uric acid level. As of June 30, 2020, there was no selective URAT1 inhibitor approved for sale in China, while five selective URAT1 inhibitor candidates were at clinical stages in China. We have submitted the IND application for our URAT1 inhibitor candidate in China and we expect to obtain the IND approval by the end of 2020.

Key Drivers and Future Trends of Autoimmune Pharmaceutical Market in China

The autoimmune pharmaceutical market in China is expected to continue its growth leveraging several key drivers, including an increasing number of patients as well as their increasing disposable income and health awareness, inclusion of additional pharmaceuticals into the NRDL, improvement of diagnosis and treatment level, and the development of innovative therapies and pharmaceuticals. The autoimmune pharmaceutical market in China is also expected to be influenced by several trends, including increasing market demand for biological pharmaceuticals, further inclusion of autoimmune pharmaceuticals in the NRDL and larger amount of innovative pharmaceuticals.

Other Key Therapeutic Areas in China

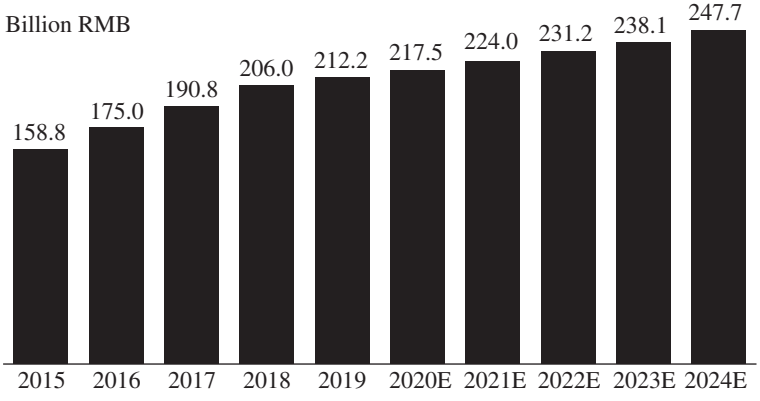
In addition to the aforementioned three therapeutic areas, we also commercialize or develop therapies in cardiovascular and infectious diseases, among others.

Cardiovascular Pharmaceutical Market in China

Cardiovascular diseases refer to a class of diseases that involve heart or blood vessels, mainly including coronary artery disease, rheumatic heart disease, congenital heart disease, peripheral arterial disease and cerebrovascular disease. Due to increasing prevalence of cardiovascular diseases, the market size of relevant pharmaceuticals in China grew from RMB158.8 billion in 2015 to RMB212.2 billion in 2019, representing a CAGR of 7.5%, and is expected to grow further at a CAGR of 3.3% from RMB217.5 billion in 2020 to RMB247.7 billion in 2024.

Cardiovascular Pharmaceutical Market in China, 2015-2024E

Period	CAGR
2015-2019	7.5%
2020E-2024E	3.3%



Source: Frost & Sullivan analysis

Hypercholesterolemia is a common cardiovascular disease. Due to ageing population and unhealthy diet, the prevalence of hypercholesterolemia has been increasing in recent years, showing increasing market demand for relevant pharmaceuticals. Statins are the most commonly-used cholesterol-lowering pharmaceuticals, and rosuvastatin, as a third-generation statin, shows high potency with superior safety profile. The sales revenue of rosuvastatin in China in 2019 totaled RMB6.8 billion. With Softan (rosuvastatin calcium tablets), our major product, we ranked fifth in rosuvastatin pharmaceutical market in China in terms of sales revenue in 2019 with a market share of 5.4%.

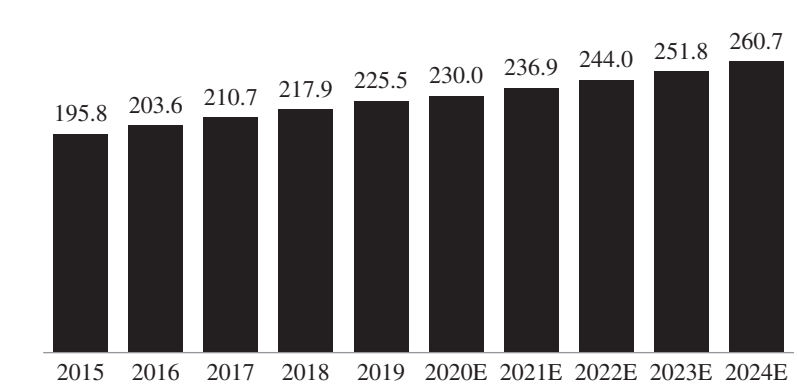
Hypertension is a long-term medical condition in which the blood pressure in the arteries is persistently elevated which results in damage to end organs such as the eyes, kidney, heart, blood vessels and others. The prevalence of hypertension in China increased from 289.9 million in 2015 to 317.4 million in 2019, representing a CAGR of 2.3%, and is expected to grow further at a CAGR of 2.0% from 324.4 million in 2020 to 351.4 million in 2024. Currently, we market and/or sell OLMETEC PLUS (olmesartan medoxomil and hydrochlorothiazide tablets), which is developed and manufactured by Daiichi Sankyo.

Anti-infective Pharmaceutical Market in China

Infectious diseases are disorders caused by organism invasion of human body. After organisms enter into human body, they reproduce and release toxin, and stimulate host tissues to react. Anti-infectives are pharmaceuticals used for treatment of infectious diseases. In China, the sales revenue of anti-infectives increased from RMB195.8 billion in 2015 to RMB225.5 billion in 2019, and is forecasted to further increase at a CAGR of 3.2% from 2020 to 2024, reaching RMB260.7 billion in 2024.

Anti-infective Pharmaceutical Market in China, 2015-2024E

Period	CAGR
2015-2019	3.6%
2020E-2024E	3.2%

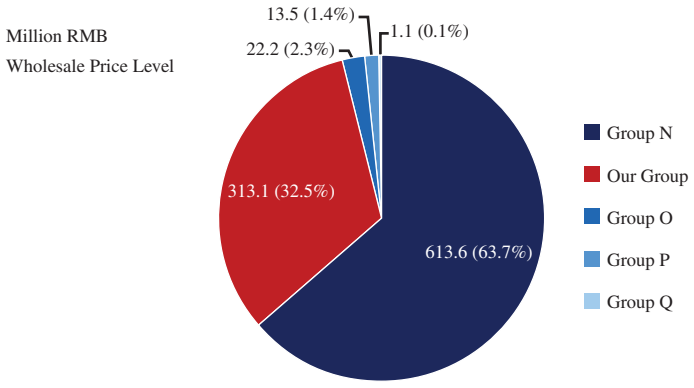


Source: Frost & Sullivan analysis

Anti-infectives can be classified into antifungals, antibacterials, antivirals and other types of anti-infectives, among which, antibacterials account for the largest portion of the overall anti-infectives market in China in terms of sales revenue.

Carbapenem is a commonly-used antibacterial for treatment of severe or high-risk bacterial infections. In 2019, the carbapenem drug market in China totaled RMB8.1 billion, and biapenem drug market accounted for a market share of 11.9%, totaling RMB1.0 billion. With Newanti (biapenem for injection), our major product, we are the second largest player in the biapenem drug market in China in terms of sales revenue in 2019, with a market share of 32.5%.

Competitive Landscape of Biapenem Pharmaceutical Market in China, 2019



Source: Frost & Sullivan analysis

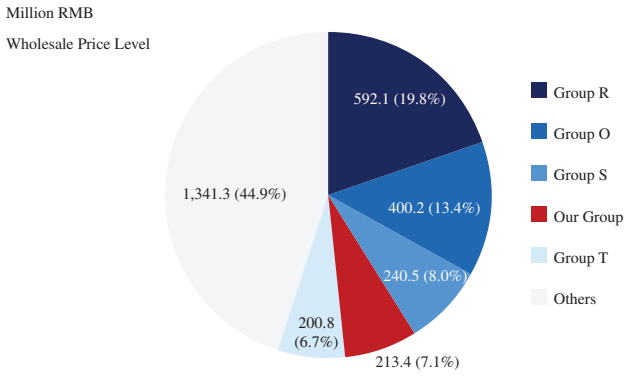
Selected Information of Top Five Players in Biapenem Pharmaceutical Market in China in 2019

Rank	Group	Year of Establishment	Headquarters	Business Focus	Listing Status
1	Group N	1997	China	Pharmaceutical manufacturing	Listed
2	Our Group	1995	China	Pharmaceutical manufacturing	Private
3	Group O	1971	China	Pharmaceutical manufacturing	Listed
4	Group P	1998	China	Pharmaceutical manufacturing	Private
5	Group Q	1970	China	Pharmaceutical manufacturing	Listed

Source: Company website, Frost & Sullivan analysis

Amoxicillin is an antibacterial that can be used to treat various bacterial infections. In 2019, the mono-ingredient amoxicillin drug market in China totaled RMB3.0 billion, and we ranked fourth in terms of sales revenue with a market share of 7.1%.

Competitive Landscape of Mono-ingredient Amoxicillin Pharmaceutical Market in China, 2019



Source: Frost & Sullivan analysis

Selected Information of Top Five Players in Mono-ingredient Amoxicillin Pharmaceutical Market in China in 2019

Rank	Group	Establishment	Headquarters	Business Focus	Listing Status
1	Group R	1990	Hong Kong	Pharmaceutical manufacturing	Listed
2	Group O	1971	China	Pharmaceutical manufacturing	Listed
3	Group S	1992	China	Pharmaceutical manufacturing	Listed
4	Our Group	1995	China	Pharmaceutical manufacturing	Private
5	Group T	2001	China	Pharmaceutical manufacturing	Private

Source: Company website, Frost & Sullivan analysis

SOURCE AND RELIABILITY OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the pharmaceutical market in China for use in this prospectus. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB1,280,000, and is disclosed with the consent of Frost & Sullivan.

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.

Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall pharmaceutical market and various segment markets in China:

- China's economy is expected to grow at a steady rate supported by favorable government policies as well as global economic recovery, among other factors;
- China's total population continues to show an upward trend and the proportion of elderly population will grow rapidly;
- No material changes in government policies in regards of the pharmaceutical market in China;
- No major technological breakthrough in the relevant industry will occur from 2020 to 2025;
- In addition to macroeconomic factors, certain industry drivers, including but not limited to the increasing disposable income and increasing awareness of health, are likely to drive demand in the forecast period; and
- The negative impact caused by COVID-19 outbreak in 2020 on the industry is expected to be limited, taking into account the impact of the COVID-19 outbreak and estimating market growth for 2020 in a conservative manner based on the industry and economic recovery in China since the second quarter of 2020.

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.

OVERVIEW

Our business in the PRC is subject to a large number of laws and regulations and extensive government supervision. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business, particularly in relation to: (i) drugs; (ii) anti-unfair competition; (iii) production safety and liability; (iv) environmental protection; (v) intellectual property rights; (vi) foreign investment in the PRC; (vii) employment and social security and housing funds; (viii) taxation; and (ix) foreign exchange control.

LAWS AND REGULATIONS RELATING TO DRUGS

Regulatory Regime in the PRC

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

According to the Institutional Reform Program of the State Council (《國務院機構改革方案》) promulgated by the NPC on March 17, 2018, the NMPA, formerly known as China's Food and Drug Administration, was established as a regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical devices under the supervision of the SAMR, a newly established institution for supervising and administrating the market in China. The NHC performs multiple functions in relation to the administration of pharmaceutical products, including but not limited to formulating national health policies, coordinating to deepen the reform of the medical and health system, and organizing the formulation of a national essential drugs system. The NDRC is responsible for high-level guidance and administration of the health care industry, including establishing and monitoring the implementation of the pricing policy of drugs, and regulating the overall drug prices.

Reform of Medical and Healthcare System

Pursuant to the Opinions of the State Council on Deepening the Reform of the Medical and Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》) issued on March 17, 2009, the reform of the medical and healthcare system has been orderly conducted. The medical insurance system has been gradually improved and the basic medical mechanism has been consolidated and improved.

On October 25, 2016, the State Council introduced the Plan for Healthy China 2030 (《健康中國2030規劃綱要》), which proposes to (i) improve the system for collaborative innovation involving different aspects of policy, industry, education, research and practice, and promoting medical innovation, transformation and upgrading, (ii) research to establish an

examination and approval system based on clinical effects, and raise the examination and approval standards for drugs (medical devices), and (iii) accelerate the review and approval of innovative drugs (medical devices) and new drugs (medical devices) that are urgently needed in clinical practice.

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

Laws and Regulations on Drug Research and Development

Drug Administration Law of the PRC

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

Drug Clinical Trial

According to the Provisions for Drug Registration (《藥品註冊管理辦法》) ("**Drug Registration Provisions**") which was lastly revised on January 22, 2020 and became effective on July 1, 2020, clinical trial of drugs shall be subject to approval, and bioequivalence test shall be filed; clinical trial of drugs shall comply with the Good Clinical Practice of Pharmaceutical Products (《藥物臨床試驗質量管理規範》) (the "**Good Clinical Practice**") and shall be carried out by drug clinical trial organizations which comply with the relevant provisions. Clinical trial of drugs shall consist of phases I, II, III and IV clinical trial as well as bioequivalence test. Based on the characteristics of drugs and research objective, the research contents shall include clinical pharmacology research, exploratory clinical trial, confirmatory clinical trial and post-marketing clinical research. On September 6, 2013, the Announcement of the NMPA on Drug Clinical Trial Information Platform (《國家食品藥品監督管理總局關於

藥物臨床試驗信息平臺的公告》) providing that, instead of the aforementioned registration filed with the NMPA, all clinical trials approved by the NMPA and conducted in the PRC shall complete clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform.

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

The institutions for non-clinical safety evaluation and study and clinical trial organizations shall respectively implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) which became effective on September 1, 2017, and Good Clinical Practice for Clinical Laboratory Studies (《藥物臨床試驗質量管理規範》) which was effective on September 1, 2003 and lastly revised on April 23, 2020 and became effective on July 1, 2020. If certain actions in the preclinical trial research and clinical research conducted for a clinical application trial, and/or in the application procedures for registration of medicines, are in violation of the relevant rules and regulations, the NMPA is authorized to handle such cases pursuant to the Measures regarding Non-compliance with Relevant Rules of Research and Application for Registration of Medicines (《藥品研究和申報註冊違規處理辦法(試行)》) promulgated on and effective from September 1, 1999.

On December 18, 2017, NMPA promulgated the Technical Guidelines for the Research and Evaluation of Cell Therapy Products (《細胞治療產品研究與評價技術指導原則(試行)》), which became effective on the same date, in order to propose the general technical requirements concerning the safety, effectiveness and quality control of cell therapy products. On March 13, 2018, the CDE promulgated the Key Considerations in Applying for Clinical Trials of Cell Therapy Products for Pharmaceutical Research and Application Data (《細胞治療產品申請臨床試驗藥學研究和申報資料的考慮要點》) to encourage the innovation of cell therapy products in view of the urgent need of clinical drug use. On the basis of the Technical Guiding Principles for Cell Therapy Products, on October 18, 2019, the CDE promulgated the Pharmaceutical Research Questions and Answers for Application of Cell Therapy Products for Clinical Trials (Issue One) (《細胞治療產品申報臨床試驗藥學研究問題與解答(第一期)》) to provide reference for applicants on the common problems in the review and communication of IND application data of cell therapy products.

Laws and Regulations on Drug Registration

Administrative Measures for Drug Registration

According to the currently effective Drug Registration Provisions, if all the regulatory requirements are satisfied, the NMPA will grant a new drug certificate and a drug approval number, assuming the applicant has a valid Pharmaceutical Manufacturing Permit (藥品生產許可證) and the requisite production conditions for the new medicine have been met. All pharmaceutical products that are produced in China must bear drug approval numbers issued by the NMPA, with the exception of certain Chinese herbs and Chinese herbal medicines in soluble form. Drug manufacturing enterprises must obtain the drug approval numbers before manufacturing any drug. A drug approval number issued by the NMPA is valid for five years and the applicant shall apply for renewal six months prior to its expiration date. Application for drug registration includes application for new drugs, application for generic drugs, application for imported drugs, application for supplementary drugs and its re-registration application. A new drug application refers to an application for registration of a drug that has not yet been marketed for sale in China. In addition, the registration of drugs that change the dosage form of the marketed drugs, change the route of administration, and increase the new indications shall be reported in accordance with the application procedures for new drugs. The NMPA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE. According to the Drug Registration Provisions, drug registration is regulated according to Chinese medicine, chemical medicine and biological products. As compared to the current effective version, the Drug Registration Provisions provides detailed procedural and substantive requirements for the key regulatory concepts established by the Drug Administration Law, confirms a number of reform actions that have been taken in the past years, including but not limited to: (i) the full implementation of MAH System and implied approval of the commencement of clinical trial; (ii) implementing associated review of drugs, excipients and packaging materials; and (iii) introducing four procedures for expedited 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.

In March 2016, the NMPA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), which outlined the reclassifications of drug applications under the Drug Registration Provisions and under which, Category I drugs refer to new drugs that have not been marketed anywhere in the world. Improved new drugs that are not marketed anywhere in the world fall into Category II. Generic drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, fall into Category III. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category IV. Category V drugs are drugs which have already been marketed abroad, but are not yet approved in China. Category I drugs and Category V drugs can be registered through the domestic new drug application and imported drug application procedures under the Drug Registration Provisions, respectively. On June 29, 2020, the NMPA issued the Circular on Publication of Registration Category of Chemical Drugs and the Requirements of the Filling Materials (《國家藥監局關於發佈化學藥品註冊分類及申報資料要求的通告》) which became effective on July 1, 2020 and further updates and specifies the registration categories of chemical drugs.

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

According to the Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》) (the "**Special Examination and Approval Provisions**") which was promulgated and implemented on January 7, 2009 by the NMPA, the NMPA conducts special examination and approval for new drug registration applications when: (1) the effective constituent of drug extracted from plants, animals, minerals, etc. as well as the preparations thereof have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (2) the chemical raw material medicines as well as the preparations thereof and the biological product have not been approved for marketing in China and abroad; (3) the new drugs are for treating AIDS, malignant tumors and orphan diseases, etc., and have obvious advantages in clinic treatment; or (4) the new drugs are for treating diseases with no effective methods of treatment. The Special Examination and Approval Provisions further provide that the applicant may file for special examination and approval at the clinical trial application stage if the drug candidate falls within items (1) or (2), and if the drug candidates fall within items (3) or (4), the application for special examination and approval cannot be made until filing for production.

Registration of Generic Drugs

According to the Drug Registration Provisions, the applicants which apply for registration of generic drugs shall be manufacturer of the same drugs. The applicant's drugs shall also be within the manufacturing scope specified in the Pharmaceutical Manufacturing Permit. Furthermore, clinical trials are required to be conducted in accordance with the Drug Registration Provisions. According to the Circular on Implementation of Record-filing Management of Bioequivalence Trials of Chemical Drug (《關於化學藥生物等效性試驗實行備案管理的公告》), the management of bioequivalence trials of chemical drug has been changed from examination and approval to record-filing. After completion of clinical trials, applicants for registration of generic drugs should submit materials of the respective clinical trials to the CDE. With reference to the technical review opinions, the NMPA will either grant a drug approval number or issue a disapproval notice.

Pursuant to the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the General Office of the State Council (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》) promulgated on February 6, 2016 and the Opinions of Relevant Matters Concerning Implementing the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the NMPA (《關於落實<國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見>的有關事項的意見》) promulgated in March 2016, generic drugs approved for marketing before the implementation of the new registration classification of chemical drugs, including domestic generic drugs, imported generic drugs and the indigenous varieties of the original developed drugs, shall carry out consistency evaluation. In principle, the consistency evaluation should be completed before the end of 2018 for the oral solid preparations of generic chemicals approved for sale before October 1, 2007 listed in the National Essential Drug List (2012 version) (《國家基本藥物目錄(2012年版)》). For any other generic drugs approved for marketing before the implementation of the new classification of registration of chemical drugs, after a drug produced by a pharmaceutical enterprise passes the consistency evaluation, other pharmaceutical enterprises shall complete the consistency evaluation for their identical drugs within three years in principle; no registration will be granted in case of failure to do so as required within the prescribed time limit.

Pursuant to the Circular on Relevant Matters Concerning Consistency Evaluation for Quality and Curative Effect of Generic Drugs (《關於仿製藥質量和療效一致性評價有關事項的公告》) further promulgated by NMPA on December 28, 2018, the time limit for evaluation of the varieties included in the National Essential Drug List (2018 version) will no longer be set uniformly. For generic drugs, including essential drug varieties, approved for marketing before the implementation of new registration and classification of chemical drugs, after the first variety has passed the consistency evaluation, the same variety of other drug manufacturers should complete the consistency evaluation within 3 years in principle. If it is not completed within the time limit, the enterprise may apply to the local provincial drug regulatory authority for an extension of the evaluation if it is deemed to be clinically necessary and in short supply in the market. After research and identification organised by the provincial drug regulatory department as well as the health administrative department, an appropriate extension may be granted. If the registration is not completed within the prescribed time limit, it shall not be re-registered.

On May 12, 2020, NMPA promulgated the Circular on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs of Chemical Injections (《國家藥監局關於開展化學藥品注射劑仿製藥質量和療效一致性評價工作的公告》), according to which, for the generic drugs of chemical injections that have been marketed, consistency evaluation should be carried out for the varieties that have not been approved according to the principle of consistency quality and efficacy with the original drugs. The Drug Marketing Authorization Holder shall select the reference preparations according to the catalogue of reference preparations for generic drugs issued by the NMPA, and carry out the consistency evaluation and R&D application.

Laws and Regulations on Drug Manufacturing

Pharmaceutical Manufacturing Permit

Pursuant to the Drug Administration Law and the Implementing Regulations of the Drug Administration Law of the PRC (《藥品管理法實施條例》) (the "**Drug Administration Implementing Regulations**"), a drug manufacturing enterprise is required to obtain a Pharmaceutical Manufacturing Permit (藥品生產許可證) from the relevant provincial drug administration authority of the PRC. The grant of such permit 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. Pursuant to the Drug Administration Implementing Regulations and the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》) amended on November 17, 2017 and January 22, 2020 and became effective on July 1, 2020 (the "**Drug Manufacture Supervision Measures**"), the drug manufacturing license is valid for five years and the drug manufacturing enterprises shall apply to the original authority that issued such license for renewal six months prior to its expiration date. Where the market authorization holder consents to the production of pharmaceutical preparations, the market authorization holder shall apply to the provincial department of the NMPA for a Pharmaceutical Manufacturing Permit and subject it to the inspection and other administrative supervision by government agencies.

Good Manufacturing Practices

The Good Manufacturing Practice for Drugs (2010 revised edition) (《藥品生產質量管理規範》), which was effective on March 1, 2011, comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes quality management, organization and personnel, plant and facilities, equipment, materials and products, confirmation and verification, production management, quality control and quality assurance, commissioned production and commissioned inspection, product shipping and recall, self-inspection, etc.

According to the Drug Administration Law, the requirement of obtaining a Good Manufacturing Practice Certificate is cancelled and the pharmaceutical manufacturing company shall comply with Good Manufacturing Practice for Drugs (《藥品生產質量管理規範》), establish and improve upon a drug manufacturing quality management system, ensure the whole drug manufacturing process continuously comply with statutory requirements.

Laws and Regulations on Drug Distribution

Pharmaceutical Operation Certificate

According to the Drug Administration Law, the Drug Administration 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 issued by the NMPA on January 31, 2007 and came into effect on May 1, 2007, detailed provisions are imposed on aspects such as

the purchase, sale, transportation and storage of medicines. The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Pharmaceutical Operation Certificate (藥品經營許可證) in respect of the wholesale pharmaceutical product distribution company.

Under the Measures for the Administration of Pharmaceutical Operation Certificate (《藥品經營許可證管理辦法》) promulgated on February 4, 2004 and became effective from April 1, 2004 and amended on November 17, 2017 by the NMPA, a Pharmaceutical Operation Certificate is valid for five years. Each holder of the Pharmaceutical Operation Certificate must apply for an extension of its permit six months prior to expiration.

Good Supply Practices

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

Regulations for Administration of Affairs Concerning Laboratory Animals

Pursuant to Regulations for Administration of Affairs Concerning Laboratory Animals (《實驗動物管理條例》) approved by the State Council on October 31, 1988 and revised for the third time on March 1, 2017, the Administrative Measures on Good Practice of Laboratory Animals (《實驗動物質量管理辦法》) promulgated and implemented on December 11, 1997, and the Administrative Measures on the Certificate for Laboratory Animals (Trial) (《實驗動物許可證管理辦法(試行)》) promulgated and implemented on January 1, 2002, performing experimentation on animals requires a License for Use of Laboratory Animals (實驗動物使用許可證).

Pharmaceutical Directions and Labels of Pharmaceutical Products

According to the Measures for the Administration of the Pharmaceutical Directions and Labels of Drugs (《藥品説明書和標籤管理規定》) effective on June 1, 2006, the pharmaceutical directions and labels of drugs should be reviewed and approved by the NMPA. A pharmaceutical directions should include the important scientific data concerning drug safety and efficacy in order to direct the safe and rational use of drugs. The inner label of a drug should bear such information as the drug's common name, indication or function, strength, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer label of a drug should indicate such information as the drug's name, ingredients, character, specifications, description of the drug's indications and contraindications, precautions, dosage, date of production, product batch number, valid term, approval number, manufacturing enterprise and any adverse reactions.

Advertisements of Drugs

On October 26, 2018, the SCNPC promulgated the Advertising Law of the PRC (《中華人民共和國廣告法》) (as amended in 2018), according to which certain contents shall not be included in advertisement of drugs, such as an assertion or guarantee on the efficacy or the safety, stating a cure rate or effective rate.

The SAMR promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) on December 24, 2019, which came into effect from March 1, 2020. The contents of a drug advertisement shall be based on the drug instructions approved by the drug administrations under the State Council. Where a drug advertisement involves drug name, indications or major functions, pharmacological effects, etc., it shall not go beyond the scope of instructions. The validity period of the advertisement approval number for drugs, medical devices, health food and formula food for special medical purposes shall be consistent with the shortest validity period of the product registration certificate, filing certificate or production license. If no valid period is prescribed in the product registration certificate, filing certificate or production license, the valid period of the advertisement approval number shall be two years.

Pharmaceutical Product Export

According to the Approval by NMPA on Certain Issues of Pharmaceutical Products Export (《國家藥品監督管理局關於藥品出口有關問題的批覆》), promulgated and effective on September 20, 1999, whether the enterprise can obtain the right to operate import and export business and the qualification shall be approved by relevant foreign trade authority. The pharmaceutical products export shall mainly comply with the requirements of the importing country, so long as there is no special requirement by the importation country, the pharmaceutical supervisory and administrative departments support the export in principal based on the national policy of encouraging exports. However, under the Drug Administration Law, the export licenses issued by the relevant NMPA are required for the export of narcotics and psychotropic substances falling within the restricted scope prescribed by the State.

On November 9, 2018, the NMPA promulgated Regulations on the Administration of Certificates of Export Sales of Pharmaceuticals (《藥品出口銷售證明管理規定》), according to which, where a drug manufacturer applies for a Drug Export Sales Certificate (藥品出口銷售證明), it shall submit an application form for a drug export sales certificate to the local drug regulatory department at the provincial level. The term of validity of the Drug Export Sales Certificate (藥品出口銷售證明) shall not exceed 2 years, and shall not exceed the term of validity of all the certificates in the application materials, and a new application shall be made before the expiry of the period of validity.

Drug Recalls

According to the Measures on Drug Recall (《藥品召回管理辦法》) effective from December 10, 2007, a drug manufacturer should establish and improve its recall system by collecting relevant information about drug safety and making an investigation and evaluation with respect to the drugs with potential safety hazards. If there are any potential safety hazards that endanger human health and life safety in respect of any drugs sold in PRC, such manufacturer must start the drug recall procedures. Where a drug is recalled, the drug operating units and users should assist such manufacturer to satisfy its recall obligations by communicating the drug recall information and any feedback, controlling and recovering such drugs according to the recall plan.

MAJOR REGULATORY REFORMS IN THE PHARMACEUTICAL INDUSTRY

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

National Essential Drug List

On August 18, 2009, Ministry of Health and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法(暫行)》) (the "**Measures on Essential Drugs**") which became effective on the same day, and was amended on February 13, 2015, and the Guidelines on the Implementation of the National List of Essential Drugs System (《關於建立國家基本藥物制度的實施意見》) (the "**Essential Drugs Guidelines**"), which aim to promote the sale of essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National Essential Drug List. The National Health Commission and National Administration of Traditional Chinese Medicine promulgated the National Essential Drug List (《國家基本藥物目錄》) on September 30, 2018 which became effective on November 1, 2018.

According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in the National Essential Drug List. The drugs listed in National Essential Drug List shall be purchased by centralized tender process and shall be subject to the price control by the NDRC. Remedial drugs in the National Essential Drug List are all listed in the Medical Insurance Catalog and the entire amount of the purchase price of such drugs is entitled to reimbursement.

National Medical Insurance Program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) forwarded by the General Office of the State Council on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

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》) issued on May 12, 1999, provides that a pharmaceutical product listed in the NRDL must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (1) it is set forth in the Pharmacopeia (the prevailing version) of the PRC; (2) it meets the standards promulgated by the NMPA; and (3) if imported, it is approved by the NMPA for import. Except for the abovementioned drugs that have been included in the NRDL, the Announcement on the Release of the Work Plan for the Adjustment of the National Medical Insurance Drug Catalogue in 2019 (《關於公佈<2019年國家醫保藥品目錄調整工作方案>的公告》) promulgated by the National Healthcare Security Administration (國家醫療保障局) on April 17, 2019, stipulates that the exclusive patent drugs with higher price or greater influence on the medical insurance fund shall be admitted into the NRDL through negotiation. According to the Notification on the Inclusion of Drugs under Negotiation in Part B of the Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance in 2019 (《關於將2019年談判藥品納入<國家基本醫療保險、工傷保險和生育保險藥品目錄>乙類範圍的通知》) promulgated on November 22, 2019, the negotiation drugs are an important part of the NRDL and the provincial medical security, human resources and social security departments shall promptly include the negotiated drugs into the payment scope of an provincial basic medical insurance, industrial injury insurance and maternity insurance funds in accordance with the relevant regulations, and implement such negotiated drugs in parallel from January 1, 2020.

According to 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》), the PRC Ministry of Labor and Social Security, together with other government authorities, has the power to determine the medicines included in the NRDL, which is divided into two parts, Part A and Part B. Provincial governments are required to include all Part A medicines listed on the NRDL in their provincial catalogue, but have the discretion to adjust upwards or downwards by no more than 15% from the number of Part B medicines listed in the NRDL. As a result, the contents of Part B of the provincial catalogue may differ from region to region in the PRC. However, such aforementioned mechanism has been changed since the issuance of the Notice of MHRSS and the NHSA on the Issuance of the NRDL (《國家醫保局、人力資源社會保障部關於印發<國家基本醫療保險、工傷保險和生育保險藥品目錄>的通知》) on August 20, 2019 which became effective on January 1, 2020. Such Notice regulates that all localities shall strictly implement the NRDL and are not allowed to make a catalogue or add drugs in the NRDL, or adjust the limited payment scope of drugs in the NRDL. For those drugs that were already added to Part B of the provincial catalogue in accordance with the previous provincial catalog, the drugs shall be gradually removed within 3 years. During the process, all provinces should give priority to the adjustment of the payment scope of the drugs included in the First Batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products) or such list which may be dynamically adjusted by the NHC and the National Administration of Traditional Chinese Medicine (國家中醫藥管理局).

Patients purchasing medicines included in Part A of the NRDL are entitled to reimbursement in accordance with the regulations in respect of basic medical insurance. Patients purchasing medicines included in Part B of the NRDL 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. The percentage of reimbursement for Part B medicines is stipulated by local authorities and in result may differs from region to region in the PRC.

In principal, the NRDL shall be adjusted every two years, and the drug list of all provinces, autonomous regions and municipalities directly under the Central Government shall be adjusted accordingly. However, in practice, the NRDL was formulated and adjusted from time to time in the year of 2000, 2004, 2009, 2017 and 2019, respectively, and was not strictly updated within the time limit specified above. On July 30, 2020, the NHSA issued Interim Measures for the Administration of Drug Use in Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》) which became effective on September 1, 2020, stipulating that the dynamic adjustment mechanism will be established and the NRDL shall be adjusted once a year in principle.

National Key Drug List for Monitoring and Prescription Control

On June 11, 2019, the NHC and National Administration of Traditional Chinese Medicine (國家中醫藥管理局) jointly issued the Notice on the Issuance of the First Batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products) (《關於印發第一批國家重點監控合理用藥藥品目錄(化藥和生物製品)的通知》)(the "**Control List**"), aiming to strengthen the overall management of the clinical application of drugs in the Control List, further standardize the prescribing behavior of doctors, formulate the drug use guidelines or technical specifications for the drugs included in the Control List and clearly stipulate the conditions and principles of clinical application. Relevant laws and regulations shall be strictly implemented by the physicians for chemical drugs and biological products which are not included in the Control List. According to the indications, guidelines for the diagnosis and treatment of diseases stipulated in the drug instructions and the corresponding prescription permission, the drug varieties, route of administration and dosage shall be rationally selected and prescribed. As for traditional Chinese medicines, doctors of traditional Chinese medicine should prescribe traditional Chinese medicines according to the relevant laws and regulations, and in accordance with the basic principle of dialectical treatment of traditional Chinese medicines. There are 20 kinds of drugs included in the Control List and the NHC will work with the National Administration of Traditional Chinese Medicine together to dynamically adjust the Control list.

The formulation basis of the Control List is the Opinions on Strengthening the Performance Appraisal of Tertiary Public Hospitals (《關於加強三級公立醫院績效考核工作的意見》) promulgated by the General Office of the State Council on January 16, 2019 and the relevant PRC regulations. Pursuant to the relevant PRC regulations, the national key drug list for monitoring and prescription control shall be formulated in the following ways: firstly, the provincial health administration department shall organize the secondary or higher medical institutions within its jurisdiction to order their key monitored drugs by the common name and according to the annual amount of money used from the most to least, and report to the provincial health administration department; secondly, the provincial health administration department summarizes the key monitored drugs reported by medical institutions within its jurisdiction and reports the information of the top 20 drugs to the NHC under the common name and in order of the total amount of money used from the most to least; and then the NHC shall, on the basis of the information reported by the provinces, draw up and publish the national key drug list for monitoring and prescription control; finally, on the basis of the Control List published by the NHC, the provincial health administration departments shall formulate the catalogue of key drug list for monitoring and prescription control in their respective provinces.

Price Controls

Pursuant to the Notice on Issuing the Opinion on Promoting Pharmaceutical Price Reform (《關於印發推進藥品價格改革意見的通知》) promulgated on May 4, 2015, government price controls on pharmaceutical products (other than narcotic drugs and certain psychiatric drugs) were lifted on June 1, 2015. After price controls were lifted, prices of pharmaceutical products are mainly determined by market competition. Instead of direct governmental price controls, the government will regulate prices mainly by establishing a centralized procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices. Please see the PRC laws and regulations related to the centralized procurement mechanism in the "Tender Process" and the relevant PRC laws and regulations related to revising medical insurance reimbursement standards in "National Medical Insurance Program" of Regulatory Overview.

Dual Invoicing System

In order to further optimize the order of purchasing and selling pharmaceutical products and reduce circulation steps, as required at the executive meeting of the State Council dated April 6, 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on April 21, 2016, the "dual invoicing system" will be fully implemented in the PRC. According to the Notice of Publishing Opinions on Implementing Dual Invoicing System in Drug Procurement Among Public Medical Institutions (For Trial Implementation) (《印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》) ("**Dual Invoicing System Notice**") which was issued on December 26, 2016, the "dual invoicing system" refers to the system that requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions. The wholly-owned or holding commercial company (only one commercial company is permitted in the whole country) or the domestic general agent for overseas drugs (only one domestic agent is permitted in the whole country) established by a pharmaceutical manufacturer or a group enterprise integrating science, industry and trade may be regarded as a manufacturer. The allocation of drugs between a pharmaceutical distribution group enterprise and its wholly-owned (holding) subsidiaries or among its wholly-owned (holding) subsidiaries may not be regarded as a process for which an invoice should be issued, but one invoice is allowed to be issued at most. According to the Dual Invoicing System Notice and the Several Opinions of the General Office of the State Council on Further Reforming and Improving the Policies on Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》) issued on January 24, 2017, dual invoicing system will be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) involved in the comprehensive medical reform program and pilot cities for public hospital reform on a priority basis, while other regions are encouraged to implement such system, so that such system can be promoted in full swing nationwide in 2018.

Tender Process

Drug Purchases by Hospitals

According to the Opinion on the Guidance of the Reform of Urban Medical and Health Care System (《關於城鎮醫藥衛生體制改革的指導意見》) promulgated and took into effect on February 16, 2000 and the Opinion on the Implementation of Classification Management of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》) promulgated on July 18, 2000 and became effective on September 1, 2000, a non-profit-making medical institution is established to provide services to the general public, with its revenue used for maintaining and developing such institution, while a profit-making medical institution is established by investors for the purpose of investment return. Any non-profit-making medical institutions must implement a collective tender system in respect of any drug purchases and any profit-making medical institutions is not mandatorily required to implement such a system according to relevant PRC laws and regulations.

According to the Notice on the Trial Implementation of the Centralized Tender with Respect to Drug Purchases 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》) which was promulgated and effective on July 7, 2000, the Notice on the Further Standardizing of the Centralized Tender with respect to Drug Purchases By Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated and became effective on August 8, 2001 and the Opinions concerning Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering (《關於進一步規範醫療機構藥品集中採購工作的意見》) promulgated and took into effect on January 17, 2009, any non-profit-making medical institutions established and/or controlled by any government at a county level or above must implement the centralized tendering in respect of purchase of the drugs contained in the Medicines List for National Basic Medical Insurance and the drugs with relatively large clinical usage.

The Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》) promulgated and was effective on July 7, 2010, stipulating that any non-profit-making medical institutions established by the government at the county level or above or state-owned enterprises (including state-holding enterprises) must participate in the centralized procurement of medical institutions through a non-profit-making centralized procurement platform. The centralized procurement management authority at provincial (municipal or district) level is responsible for compiling the catalog of drugs for centralized procurement by medical institutions within its own administrative region, and narcotic drugs and first class psychoactive drugs with respect to which the special administration is carried out by the state are not included in such catalog for centralized procurement; second class psychoactive drugs, radioactive pharmaceuticals, toxic drugs for medical use, crude drugs, traditional Chinese medicinal materials and traditional Chinese medicine decoction pieces may be excluded from such catalog for centralized procurement.

According to the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》) promulgated and came into effect on February 9, 2015, the centralized procurement work of public hospitals will be improved through the purchase of drugs by classification. All drugs used by public hospitals (with the exception of traditional Chinese medicine decoction pieces) should be procured through a provincial centralized pharmaceutical procurement platform. The provincial procurement agency should work out a summary of the procurement plans and budget submitted by hospitals and compile reasonably a drug procurement catalog of the hospitals within its own administration region, listing by classification the drugs to be procured through bids, negotiations, direct purchases by hospitals or to be manufactured by appointed pharmaceutical manufacturers.

The Centralized volume-based drug Procurement in "4+7 Cities" and Wider Areas

In order to deepen the reform of the medical and health care system and improve the mechanism for setting drug prices, the State carried out to organize drug centralized procurement.

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

Second, on the basis of the centralized volume-based drug procurement implemented by 4+7 cities and provinces, the State organizes relevant regions to form an alliance to carry out the centralized volume-based drug procurement of cross-regional alliances in September 2019. The Document for Centralized Drug Procurement in the Alliance Area (GY-YD2019-1) (《聯盟地區藥品集中採購文件(GY-YD2019-1)》) was issued by the Joint Procurement Office (聯合採購辦公室) on September 1, 2019. The alliance area included the provinces of Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, Yunnan, Xizang, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang (including Xinjiang Production and Construction Army Unit), except the 4+7 cities in the alliance area.

Third, the State promoted the centralized volume-based drug procurement nationwide in December 2019. According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》) promulgated and came into effect on September 25, 2019, together with the Documents on National Centralized Drug Procurement (GY-YD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》) issued by the Joint Procurement Office on December 29, 2019 to launch the second batch of state organized centralized volume-based drug procurement, the model of centralized procurement with target quantity in the pilot program for conducting centralized procurement and use of drugs by the State will be promoted nationwide and all manufacturers of drugs within the scope of centralized procurement marketed in Mainland China, with the approval of the medical products administration, may participate in the pilot program.

The drug being offered for tender must belong to one of the following categories: (1) an originator drug or reference preparations used for consistency evaluation designated by NMPA; (2) a generic drug that has passed the consistency evaluation; (3) a generic drug approved for registration; or (4) a drug included in the Catalogue of the Drugs Marketed in China. The tenderer must also ensure that its annual production and sales capacity can satisfy the intended minimum quantity requirement. Public hospitals must prioritize their drug purchasing from the successful bidder during the procurement cycle, calculated from the execution date of the successful bid result, until the quantity commitment has been satisfied. If the quantity commitment is satisfied, the excess is still procured at the selected price until the expiration of the procurement cycle.

The NHSA, the NHC, the NMPA, the Ministry of Industry and Information Technology(工業和信息化部) and the Logistics Support Department of the Central Military Commission(中央軍委後勤保障部) promulgated the Notice on the Commencement of the Second Batch of State Organized Centralized Drug Procurement and Use (《關於開展第二批國家組織藥品集中採購和使用工作的通知》) on January 13, 2020 which became effective on the same date. The second batch of national organization of centralized procurement and use of drugs will no longer be carried out in selected areas, and the national organization for the centralized procurement and use of drug varieties is selected from the generic drugs with generic names that have passed the consistency evaluation for the quality and efficacy of generic drugs, including generic drugs which had been approved for marketing according to the new registration classification of chemical drugs. This Notice expands the range of drugs to be centrally procured and used by state organizations, focusing on the selection of more competitive varieties. Considering the clinical efficacy, adverse reactions, the stability of the drug batches and other factors, the specific selection indicators shall be determined by the joint procurement office (聯合採購辦公室).

In order to comprehensively deepen the reform and establish a standardized and normalized mode of centralized volume-based drug procurement and use, the Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) on July 29, 2020 and launched the third batch of State organizations for the centralized volume-based drug procurement.

For centralized procurement drugs within the scope of the NRDL, the centralized procurement price shall be regarded as the payment standard of medical insurance. In principle, the medical insurance fund shall be settled pursuant to the same payment standard for the original researched drugs, reference preparations and generic drugs which passed the consistency evaluation for the quality and efficacy of generic drugs under the same generic name.

LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

Since early 1990s, the legislative authorities at different levels in China have promulgated certain laws and regulations in respect of commercial bribery. According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**"), which was passed by the SCNPC on September 2, 1993, became effective as of December 1, 1993 and was most recently amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

On June 26, 2019, the SAMR promulgated the Interim Provisions on Prohibiting Monopoly Agreement(《禁止壟斷協議暫行規定》) and Interim Provisions on Prohibiting Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) which became effective on September 1, 2019, according to which, "monopoly agreement" means an agreement, a decision, or any other act in concert to exclude or restrict competition. The SAMR shall be responsible for the anti-monopoly law enforcement work against monopoly agreements and the anti-monopoly law enforcement work against abuse of dominant market positions. Business operators and their transaction counterparties are prohibited from concluding the following monopoly agreements in respect of prices of the commodities: (i) fix the price level, price change range, profit level or discount, handling fee etc. for resale of commodities to a third party; (ii) restrict the minimum price for resale of commodities to a third party, or restrict the minimum price for resale of commodities through restricting price change range, profit level or discount, handling fee or other fees; or (iii) fix the price for resale of commodities or restrict minimum price of resale of commodities through other methods. Without legitimate reasons, business operators with dominant market position are prohibited from adding other unreasonable transaction conditions for their transactions, such as add unreasonable restrictions on sales regions, sales targets, after-sale service and others.

According to the Interim Provisions on the Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》) (the "**Prohibition Commercial Bribery Provisions**"), which was promulgated by SAIC on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which "other means"

refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. According to the Anti-Unfair Competition Law and the Prohibition Commercial Bribery Provisions, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated.

Pursuant to the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (2013 revision) (《關於建立醫藥購銷領域商業賄賂不良記錄的規定(2013年修訂)》) enforced on March 1, 2014 by the NHFPC, 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 industrial and commercial administration, the NMPA; and (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.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY AND LIABILITY

Production Safety Law of the PRC

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) amended on August 31, 2014 and coming into effect on December 1, 2014, an enterprise shall (i) provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

Some chemical materials needed for new drug research and development, such as toluene and hydrochloric acid, are hazardous chemicals. Pursuant to the Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) which was effective on March 15, 2002 and amended on March 2, 2011 and December 7, 2013, respectively, the production, storage, use, operation, and transportation of hazardous chemicals must be in accordance with the safety management regulations. The hazardous chemical units shall oblige to satisfy the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and post safety responsibility systems, and provide safety education and legal education and occupation technical training for employees. Employees should accept such education and training, and may begin working only after qualifying the relevant assessment.

Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated by the SCNPC on 22 February 1993, and lastly amended and came into effect on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws. Quality of products shall pass standard examinations and it is not allowed to pass off sub-standard products as standard ones. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

Tort Law of the PRC

Pursuant to the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated on December 26, 2009 and coming into effect on July 1, 2010, a patient may make a claim against a medical institution or producer for any damage arising from defects of drugs. In respect of any claim made by a patient, the medical institution is entitled to make a claim against the producer after the settlement of the compensation paid to the patient. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th NPC, which will become effective on January 1, 2021 and simultaneously replace the current effective Tort Law of the PRC, according to which, a patient may make a claim against the drug marketing authorization holder, a medical institution or producer for any damage arising from defects of drugs.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on December 26, 1989 and became effective on the same day, last amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, became effective on September 1, 2003 and last amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Regulations on Pollution Permit

Pursuant to the Administrative Measures on Pollutant Emission Permits (Trial) (《排污許可管理辦法(試行)》) which became effective on January 10, 2018 and amended on August 22, 2019, enterprises, institutions and other producers and operators (the "**pollutant discharge enterprises**") that have been included in the Classification Management List for Fixed Source Pollution Permits shall apply for and obtain a discharge permit in accordance with the prescribed time limit. The pollutant discharge enterprises that are not included in the Classification Management List do not need to apply for a pollutant discharge permit. The pollutant discharge enterprise shall hold a pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the discharge permit.

Pursuant to the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Control of Pollutant Release Permit System (《國務院辦公廳關於印發控制污染物排放許可制實施方案的通知》) and the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), the state implements a focused management and a simplification of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The manufacturing of drug substance and manufacturing dose for chemical drugs are industries that shall obtain the discharge permit in accordance with the prescribed time limit. The Ministry of Environmental Protection shall be responsible for guiding the implementation and the supervision of the

National Sewage Permit System. The municipal environmental protection department shall be responsible for issuing the Pollutant Discharge Permit in the district where the pollutant-discharging enterprise is located.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and further amended on September 4, 1992, August 25, 2000, December 27, 2008 and came into effect on October 1, 2009 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and last amended on January 9, 2010 and came into effect on February 1, 2010, the term "invention-creations" refers to inventions, utility models and designs. The duration of a patent right for inventions shall be 20 years and the duration of a patent right for utility models and designs shall be 10 years, both commencing from the filing date.

According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. The licensee does not have the right to allow any entity or individual not specified in the contract to exploit such patent. Pursuant to the Measures for the Filling of Patent Licensing Contracts (《專利實施許可合同備案辦法》) promulgated by the State Intellectual Property Office on June 27, 2011 and became effective on August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

Domain Names

The Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and became effective on November 1, 2017, regulates the ".CN" and the ".zhongguo (in Chinese character)" shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any violation.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN THE PRC

The Company Law of the People's Republic of China (《中華人民共和國公司法》), or the Company Law, which was promulgated on December 29, 1993 and came into effective on July 1, 1994, last amended on October 26, 2018 and came into effective on the same day, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

The Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) (the "**Encouraging List 2019**") which was issued on June 30, 2019 and effective from July 30, 2019, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the "**Negative List 2020**") which was issued on June 23, 2020 and effective from July 23, 2020, further reduced restrictions on the foreign investment and replaced the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》) and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》). Industries that do not fall within the Negative List 2020 and the Encouraging List 2019 are industries permitted for foreign investment. According to the Negative List 2020, the human cell and gene diagnosis and therapy business remains as prohibited areas for foreign investment.

On March 15, 2019, the 2nd meeting of the 13th SCNPC approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**"), which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the "**Foreign Investors**"), including the following: (i) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (ii) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (iii) Foreign Investors investing in new projects in China alone or collectively with other investors; and (iv) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The

pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL replaced the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), became the legal foundation for foreign Investment in the PRC.

On December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《外商投資法實施條例》) (the "**Implementing Rules**"), which became effective on January 1, 2020 and replaced the Implementing Rules of the Laws on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法實施條例》), the Implementing Rules of the Laws on Sino-Foreign Cooperative Joint Ventures (《中外合作經營企業法實施細則》) and the Implementing Rules of the Wholly Foreign-Owned Enterprise Law (《外資企業法實施細則》). The Implementation Rules restates certain principles of the FIL and further provides, among others, if a foreign-invested enterprise established prior to the effective date of the FIL fails to adjust its legal form or the governing structure to comply with the provisions of the Company Law or the PRC Partnership Enterprise Law, as applicable, and complete the amendment registration accordingly before January 1, 2025, the enterprise registration authority will not process other registration matters of such foreign-invested enterprise and publicize such non-compliance issues thereafter.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which took effective on January 1, 2020 and replaced the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors carrying out investment activities in the PRC or foreign-invested enterprises directly or indirectly shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) pursuant to the Measures on Reporting of Foreign Investment Information.

The CSRC, the SAFE, the MOFCOM and three other PRC governmental and regulatory agencies promulgated the M&A Rules on August 8, 2006, as later amended on June 22, 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that if a domestic company, domestic enterprise, or a domestic individual, through an overseas company established or controlled by it/him/her, acquires a domestic company which is affiliated with it/him/her, an approval from the MOFCOM is required. The M&A Rules further requires that a SPV, that is controlled directly or indirectly by the PRC companies or individuals and that has been formed for overseas listing

purposes through acquisitions of PRC domestic interest held by such PRC companies or individuals, shall obtain the approval of CSRC prior to overseas listing and trading of such SPV's securities on an overseas stock exchange.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITY AND HOUSING FUNDS

Labor Law of PRC

The Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labor safety and health facilities must comply with relevant national standards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

Labor Contract Law of PRC and its Implementation Regulations

The Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and came into effect on September 18, 2008 by the State Council, regulate the relations of employer and the employee, and contain specific provisions involving the terms of the labor contract.

Regulations on Supervision over the Social Security and Housing Funds

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018 regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999 and came into effective on the same date, and was amended on March 24, 2002 and March 24, 2019, stipulates that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee.

LAWS AND REGULATIONS RELATING TO TAXATION

EIT

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (the "**EIT Law**"), which was promulgated on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得税法實施條例》) (the "**EIT Regulations**"), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, within the territory of China, enterprises and other organizations that obtain income shall be taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the PRC regulations. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Where a non-resident enterprise has establishments or places within the territory of China, it shall pay enterprise income tax on income derived from sources within the territory of China and income derived from sources outside the territory of China but actually connected with its establishments or places in China. Under the EIT Law and EIT Regulations, a uniform corporate income tax rate of 25% is applicable. If non-resident enterprises have not established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, such non-resident enterprises shall pay enterprise income tax on its income originating in the PRC.

According to the EIT Law and the EIT Regulations, an enterprise certified as a high and new technology enterprise was subject to a preferential EIT rate of 15%. In accordance with the Measures for Administration of Recognition of High and New Technology Enterprise (《高新技術企業認定管理辦法》) effective from January 1, 2008 and amended on January 29, 2016, an enterprise certified as a high and new technology enterprise is subject to review by the relevant PRC authorities.

VAT

The Provisional Regulations on Value-added Tax (《增值税暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, and last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》), which was promulgated on December 25, 1993 and came into effective on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (《財政部、國家税務總局關於調整增值税税率的通知》) issued on April 4, 2018 and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值税改革有關政策的公告》) issued on March 20, 2019 and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

On November 16, 2011, the MOF and the STA promulgated the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業税改徵增值税試點方案》), pursuant to the government launched gradual taxation reforms from January 1, 2012, where a value-added tax is imposed in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

According to the Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》), if the taxpayer of the pilot project has already enjoyed tax incentives of business tax according to relevant policies and regulations before the application of the pilot collection of value-added tax in lieu of business tax, he/she may, in the remaining period of tax incentives, enjoy tax incentives of value-added tax in accordance with the relevant provisions.

Withholding Tax and International Tax Treaties

According to the Arrangement on the Avoidance of Double Taxation and Tax Evasion between Main Land and Hong Kong Special Administrative Region (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) entered into between Mainland China and Hong Kong on August 21, 2006, dividends paid by a resident company of one Party to a resident of another Party may be taxed in that other Party. However, such dividends may also be taxed in accordance with the laws of the Party to which the company paying the dividends

is a resident. If the beneficial owner of the dividend is a resident of the other Party and the beneficial owner directly owns at least 25% of the capital of the company paying the dividend, the tax shall not exceed 5% of the total dividend.

The Notice on the Several Issues of the Implementation of Tax Treaty (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the STA on February 20, 2009 and came into effect on the same date, stipulates that if the taxpayer needs to pay tax in accordance with the provisions of the dividend provisions of the tax agreement, the relevant taxpayer or withholding agent should obtain and maintain the information supporting the implementation of the provisions of the dividend provisions of the tax agreement, and timely report or provide the information according to the requirements of the tax authorities in accordance with the relevant provisions.

According to the Administrative Measures on Non-resident Taxpayers to Enjoy the Treatment under Tax Treaties (《非居民納税人享受協定待遇管理辦法》) promulgated by the STA on October 14, 2019 and came into effect on January 1, 2020, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

The Announcement of the State Administration of Taxation on Issues Relating to "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》) (the "**Announcement of Beneficial Owner**") was issued by the STA on February 3, 2018 and came into effect on April 1, 2018. The Announcement of Beneficial Owner provided that the "beneficial owner" shall mean a person who has ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counterparty derive dividend income from China, the individual may be determined as a "beneficial owner." The Announcement of Beneficial Owner also specifies that if the business activities carried out by the applicant do not constitute substantive business activities, it will be treated unfavorably in determining whether an applicant has the status as a "beneficial owner."

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

The Regulations on the Control of Foreign Exchange of PRC (《中華人民共和國外匯管理條例》), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas

should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to the Notice on Issues Relating to Foreign Exchange Control on Fund-raising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 75**") promulgated by SAFE on October 21, 2005, domestic resident natural persons or domestic resident legal persons are required to register with the competent local branch of SAFE before they establish or control any offshore special purpose vehicles for capital raising with the assets or equity interest of PRC domestic companies owned by them. SAFE Circular 37, which replaced the SAFE Circular 75, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes the assets of or its equity interest into a special purpose vehicle for the purpose of investment and financing and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner.

According to SAFE Circular 13 which became effective on June 1, 2015, banks are required to review and carry out foreign exchange registration under offshore direct investment directly. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), promulgated on March 5, 2018 and amended on December 30, 2019, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, Circular 19 and the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for security investment or guarantee products issued by banks), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**Circular 28**") which was implemented on the same date. Under Circular 28, besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds under the condition that the negative list are not violated and the relevant domestic investment projects are true and compliant.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

OUR HISTORY

Overview

Our history can be traced back to 1995 when Jiangsu Simcere, a principal operating subsidiary of our Group, was established in the PRC. Mr. Ren, our founder and one of our Controlling Shareholders, joined Jiangsu Simcere at the time of its establishment as the general manager to oversee its daily operations.

Since the establishment of Jiangsu Simcere, through several milestone acquisitions, we rapidly grew into a well-known pharmaceutical group in China, and Simcere Investments, our then offshore holding company, became listed on the NYSE in April 2007 (the "**NYSE Listing**"), which was later taken private in December 2013 by a consortium led by Mr. Ren.

After the privatization, we continued to develop our business with a defined focus and are engaged in the R&D, production and commercialization of pharmaceuticals and currently are primarily focused on generic pharmaceuticals. Our Company was incorporated as a private company limited by shares in Hong Kong on November 30, 2015, and as a result of the Reorganization, our Company became the offshore holding company of the current business of our Group.

Key Milestones

The following table sets forth the key milestones of our Group:

1995	• Jiangsu Simcere, one of our principal operating subsidiaries, was established primarily engaging in the sales, marketing and distribution of pharmaceuticals.
2001	• We acquired a controlling interest in Hainan Simcere and as a result, acquired manufacturing capabilities of pharmaceuticals. • We started to build our own research and development team.
2003	• We acquired the entire equity interest in Simcere Pharmaceutical, which further enriched our product portfolio and production capabilities. • We established our postdoctoral research station (博士後科研工作站).
2006	• Assure Ahead, an investment holding company controlled by Hony Capital II, L.P. completed its strategic investment in our Group. • We acquired a controlling interest in Shandong Simcere.

2007	•	Simcere Investments was listed on the NYSE on April 20, 2007, making it the first bio and chemical pharmaceutical company in China to be listed on the NYSE.
2013	•	Simcere Investments completed its privatization and ceased trading on the NYSE.
2014	•	We completed our internal restructuring and the spin-off of the BioSciKin Business, thereby further refining our strategic focus.
2015	•	The Ministry of Science and Technology of the People's Republic of China approved our establishment of the National Key Laboratory of Translational Medicine and Innovative Pharmaceuticals (轉化醫學與創新藥物國家重點實驗室).
	•	Our Company was incorporated in Hong Kong.
2018	•	We established Simcere Shanghai R&D Center.
2019	•	We established Simcere Boston R&D Center.

CORPORATE DEVELOPMENT

Early Years

Prior to the NYSE Listing in 2007, we had five principal subsidiaries which made a material contribution to our results of operations at that time, details of which are set out below.

Jiangsu Simcere

Jiangsu Simcere was established as a limited liability company in the PRC on March 28, 1995. At the time of its establishment, Jiangsu Simcere was held as to 51% and 49% by Jiangsu Pharmaceutical Industrial Company (江蘇省醫藥工業公司) and Nanjing Cuccess Pharmaceutical Company Limited (南京臣功製藥有限公司) ("**Nanjing Cuccess**"), respectively, both of which are Independent Third Parties.

Mr. Ren, our founder and one of our Controlling Shareholders, joined Jiangsu Simcere as its general manager at the time of its establishment. On November 15, 1996, Mr. Ren, through his shareholding vehicle, acquired approximately 4.73% equity interest in Jiangsu Simcere from Nanjing Cuccess for a consideration of RMB131,520 determined after arm's length negotiations between the parties.

From 1998 to early 1999, several equity transfers and capital increases in Jiangsu Simcere took place among the existing shareholders and certain new shareholders. By January 1999, Jiangsu Simcere was held as to approximately 38.91% by Hainan Simcere, another of our principal subsidiaries in the PRC, and approximately 8.79% by Mr. Ren's shareholding vehicle,

with the rest of the equity interest held by the labor union of Jiangsu Simcere and other shareholders, all of which are Independent Third Parties. After that, the shareholding structure of Jiangsu Simcere was further restructured through a series of equity transfers and capital increases in preparation for the NYSE Listing, and by July 2006, Jiangsu Simcere became a directly wholly-owned subsidiary of Hainan Simcere.

Hainan Simcere

Hainan Simcere was established as a limited liability company in the PRC on April 28, 1993. At the time of its establishment, Mr. Ren was one of its minority shareholders and served as its deputy general manager.

On April 13, 2001, Jiangsu Simcere acquired approximately 7.98% equity interest in Hainan Simcere through capital increase, upon completion of which, Hainan Simcere was held by Hainan Simcere Investments Group Co., Ltd. (海南先聲投資集團有限公司) ("**Hainan Simcere Investments**"), Jiangsu Simcere and Mr. Ren as to approximately 59.36%, 7.98% and 4.47%, respectively, with the rest of the 28.19% equity interest held by Independent Third Parties. About the same time, Jiangsu Simcere, together with Nanjing Simcere Pharmaceutical Co., Ltd. (南京先聲製藥有限公司) ("**Nanjing Simcere**") and Jiangsu Simcere Hanhe Pharmaceutical Co., Ltd. (江蘇先聲漢合製藥有限公司) ("**Simcere Hanhe**"), acquired an aggregate of 50.01% equity interest in Hainan Simcere Investments, the company holding 59.36% equity interest in Hainan Simcere at the time, for a total consideration of RMB16,003,360 determined based on arm's length negotiation among the parties. Both Nanjing Simcere and Simcere Hanhe were then controlled by Jiangsu Simcere, therefore Jiangsu Simcere became an indirect controller of Hainan Simcere after the abovementioned transactions, which enabled our Group to obtain manufacturing capabilities of pharmaceutical products.

On February 19, 2004, Jiangsu Simcere transferred its 7.98% interest in Hainan Simcere to Hainan Yiyuan Technology Co., Ltd. (海南益源科技有限公司) ("**Hainan Yiyuan**"), a company controlled by Mr. Ren and certain then management members of our Group, for a consideration of RMB6,480,000 determined after arm's length negotiation between the parties. From 2004 to early 2006, Hainan Simcere Investments completed a series of acquisitions of equity interest in Hainan Simcere from its other existing shareholders, and by February 2006, Hainan Simcere was held by Hainan Simcere Investments and Hainan Yiyuan as to 98% and 2%, respectively.

In preparation for the NYSE Listing, in March 2006, SGG, our then offshore holding company, acquired the entire equity interest in Hainan Simcere from Hainan Simcere Investments and Hainan Yiyuan for a total consideration of RMB134,425,200 determined with reference to a valuation report issued by an independent professional valuer regarding the net asset value of Hainan Simcere as of March 31, 2005.

Simcere Pharmaceutical

Simcere Pharmaceutical was established as a limited liability company in the PRC on September 10, 1998. In 2003, Jiangsu Simcere and Hainan Simcere acquired the entire equity interest in Simcere Pharmaceutical from its then shareholders, all of which were Independent Third Parties, for a total consideration of RMB11,000,000 based on arm's length negotiation among the parties, and Simcere Pharmaceutical became a wholly-owned subsidiary of our Group. The acquisition of Simcere Pharmaceutical further enriched our product portfolio and enhanced our manufacturing capabilities.

In preparation for the NYSE Listing, in March 2006, SGG, our then offshore holding company, acquired the entire equity interest in Simcere Pharmaceutical from Hainan Simcere and Jiangsu Simcere for a total consideration of RMB33,290,100 determined with reference to a valuation report issued by an independent professional valuer regarding the net asset value of Simcere Pharmaceutical as of March 31, 2005.

Shandong Simcere

Shandong Simcere was established as a limited liability company in the PRC on June 30, 1999. On September 30, 2006, Hainan Simcere and SGG acquired an aggregate of 80.07% equity interest in Shandong Simcere from certain of its then shareholders, all of which were Independent Third Parties, for a total consideration of approximately RMB196.6 million based on arm's length negotiation among the parties. Upon completion, Shandong Simcere became a non-wholly-owned subsidiary of our Group, with the rest of its 19.93% equity interest held by Independent Third Parties. The acquisition of Shandong Simcere allowed us to obtain the exclusive right to the manufacture and sales of Endostar (recombinant human endostatin injection), our category I innovative biologic drug, and to enter into the field of biological pharmaceuticals.

Shanghai Simcere

Shanghai Simcere was established as a limited liability company in the PRC on July 20, 2000. Hainan Simcere acquired 90% equity interest in Shanghai Simcere from Hainan Simcere Haifu Pharmaceutical Co., Ltd. (海南先聲海富醫藥有限公司) ("**Hainan Simcere Haifu**") on August 21, 2003, and further acquired the remaining 10% equity interest in Shanghai Simcere from an Independent Third Party on July 13, 2006. The total consideration for the aforementioned acquisitions was RMB5,000,000, which was determined after arm's length negotiation among the parties. Upon completion, Shanghai Simcere became a directly wholly-owned subsidiary of Hainan Simcere. The acquisition of Shanghai Simcere enabled us to expand our sales and distribution network.

Strategic Investment by Financial Investor

In preparation for the NYSE Listing, we underwent a series of offshore and onshore corporate restructuring, and as a result, SGG became the offshore holding company of our operating subsidiaries in March 2006.

On March 28, 2006, SGG issued 15,500 ordinary shares to Assure Ahead Investments Limited ("**Assure Ahead**"), a strategic financial investor, for a consideration of approximately USD26.4 million, which was determined after arm's length negotiation between the parties with reference to the financial performance of our Group at the time and was fully settled on March 28, 2006. For further details, see "– Pre-IPO Investments." Upon completion, SGG was held by New Good Management Limited ("**New Good Management**") and Assure Ahead as to 69% and 31%, respectively. At the time, New Good Management was held by Mr. Ren, Mr. Ren Weidong and 13 individuals who were then management members of our Group or Independent Third Parties as to 35.7%, 4.50% and 59.80%, respectively. Assure Ahead was an investment holding company controlled by Hony Capital II, L.P. (together with its related parties, "**Hony Capital**").

Prior Listing on the NYSE

In anticipation of the NYSE Listing, Simcere Investments, which was then owned by New Good Management and Assure Ahead, issued an aggregate of 100,000,000 ordinary shares to New Good Management and Assure Ahead on September 29, 2006 in exchange for all of the issued ordinary shares of SGG held by them. As a result, SGG became a wholly-owned subsidiary of Simcere Investments, and Simcere Investments became the listing vehicle and the offshore holding company of our operating subsidiaries at the time.

In order to improve our management, corporate governance and brand awareness as well as to expand our financial resources, we decided to apply for listing on the NYSE and the American depositary shares ("**ADSs**") of Simcere Investments were listed on the NYSE on April 20, 2007.

Further Corporate Development during the Listing on the NYSE

Simcere Investments remained listed on the NYSE from April 20, 2007 to December 23, 2013, during which period we utilized the financial resources available to us to further enrich our product portfolio and expand our distribution network.

Acquisition of Wuhu Simcere

Wuhu Simcere was established as a limited liability company in the PRC on September 19, 2008. On December 31, 2008, Simcere Pharmaceutical acquired 70% equity interest in Wuhu Simcere from its then shareholder, an Independent Third Party, for a consideration of RMB25,900,000 determined after arm's length negotiation between the parties. Upon completion, Wuhu Simcere became a non-wholly-owned subsidiary of Simcere Pharmaceutical.

Acquisition of the Remaining Equity Interest in Shandong Simcere

Prior to the NYSE Listing, Shandong Simcere was a non-wholly-owned subsidiary of our Group held by Hainan Simcere and SGG as to 80.07% in aggregate. In August 2007 and September 2009, Hainan Simcere and SGG further acquired the remaining 19.93% equity interest in Shandong Simcere from its then shareholders, all of which were Independent Third Parties, for a total consideration of approximately RMB57.0 million determined after arm's length negotiation among the parties. Upon completion, Shandong Simcere became a wholly-owned subsidiary of our Group and was held as to 75% and 25% by Hainan Simcere and SGG, respectively.

Cooperation with Merck Sharp & Dohme

In order to meet the increasing demands in China's healthcare industry and to make quality pharmaceuticals for treating cardiovascular disease more accessible, Shanghai Simcere carried out a series of business cooperation with Merck Sharp & Dohme China Holding Co., Ltd. (默沙東(中國)投資有限公司) ("**MSD China**") and certain related corporate restructuring on July 11, 2012, by which MSD China acquired a majority stake in Shanghai Simcere through capital increase. Upon completion, Shanghai Simcere was held by MSD China and Hainan Simcere as to 51% and 49%, respectively, and ceased to be a subsidiary of our Group.

Investments by New Financial Investors

During Simcere Investments' listing on the NYSE, King View purchased 11,820,000 shares of Simcere Investments from New Good Management for a consideration of USD60,282,000, and Fosun Industrial purchased an aggregate of 8,898,088 shares of Simcere Investments from the secondary market. For further details, please see "– Pre-IPO Investments."

On June 25, 2008, Assure Ahead transferred 1,612,694 shares of Simcere Investments to Right Lane Limited ("**Right Lane**"), one of the shareholders of Assure Ahead and an Independent Third Party.

Privatization and De-listing from the NYSE

Immediately prior to the privatization, approximately 77.58% in aggregate of the outstanding issued shares of Simcere Investments were held by Mr. Ren, New Good Management, Mr. Liu Hongquan (劉洪泉), Assure Ahead, Right Lane, King View and Fosun Industrial (the "**Rollover Shareholders**").

In order to allow our Group to better adjust our strategy, and considering the generally low trading liquidity of the ADSs of Simcere Investments on the NYSE, on March 11, 2013, Mr. Ren, New Good Management, Assure Ahead and its affiliates (the "**Buyer Group**") issued a preliminary non-binding proposal to Simcere Investments to purchase all of the outstanding shares of Simcere Investments that are not beneficially owned by the Buyer Group for a cash

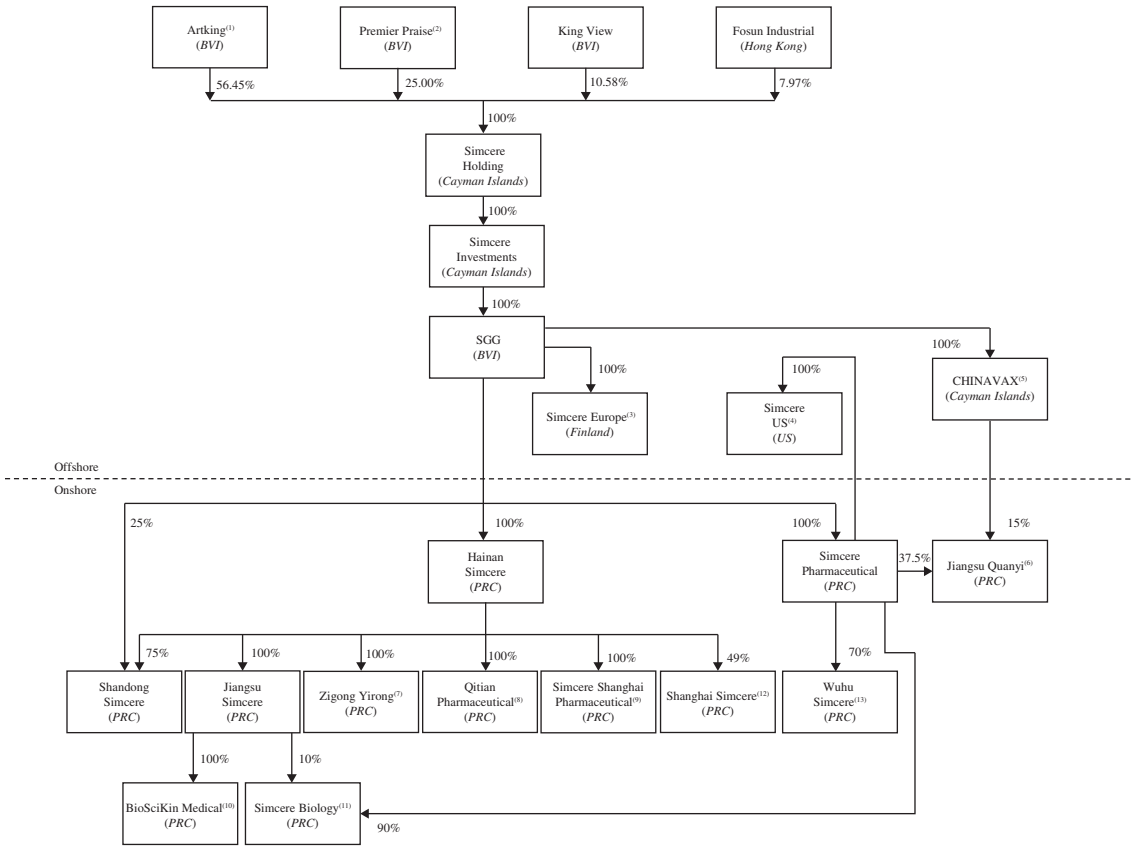
consideration equal to USD4.78 per share or USD9.56 per ADS (the "**Privatization Proposal**"). The final consideration agreed in the Merger Agreement (as defined below) was equal to USD4.83 per share or USD9.66 per ADS, representing (i) a premium of 21.4% to the closing price of USD7.96 per ADS of Simcere Investments on March 8, 2013 (being the last trading day prior to the date on which the Privatization Proposal was announced), and (ii) a premium of 23.1% to the volume-weighted average closing price of USD7.85 per ADS of Simcere Investments during the 30 trading days prior to March 8, 2013. Upon privatization, based on the consideration of USD4.83 per share, the market capitalization of Simcere Investments was USD539.2 million. The offer price of the NYSE Listing was USD14.50 per ADS, representing a premium of 50.1% to the consideration of USD9.66 per ADS as agreed in the Merger Agreement (as defined below), mainly because (i) we were not considered appealing by investors on the secondary market in the United States given our small scale of business at the time of the privatization; and (ii) the ADSs of Simcere Investments had low trading liquidity on the NYSE.

On August 28, 2013, Simcere Investments, Simcere Holding, a company held by certain Rollover Shareholders for the purpose of the Rollover Arrangement (as defined below), and its wholly-owned subsidiary Simcere Acquisition Limited (the "**Merger Subsidiary**") entered into an agreement and plan of merger (the "**Merger Agreement**"), pursuant to which each of the issued and outstanding shares of Simcere Investments, other than (a) the shares held by Simcere Investments' wholly-owned subsidiaries; (b) shares beneficially owned by Simcere Holding and the Merger Subsidiary; (c) an aggregate of 86,622,470 shares beneficially owned by the Rollover Shareholders; and (d) shares owned by shareholders of Simcere Investments who had validly exercised and had not effectively withdrawn or lost their dissenter rights under the Cayman Companies Law, shall be cancelled in exchange for the right to received an amount in cash equal to US$4.83 per share, and the Merger Subsidiary would be merged into Simcere Investments (the "**Merger**"), with Simcere Investments surviving the Merger and becoming a directly wholly-owned subsidiary of Simcere Holding. In addition, on August 28, 2013, the Rollover Shareholders entered into a contribution agreement with Simcere Holding (the "**Contribution Agreement**"), pursuant to which they agreed to roll over their respective shares in Simcere Investments to Simcere Holding immediately prior to the effective time of the Merger such that the shares of Simcere Investments owned by the Rollover Shareholders would all be cancelled in exchange for new shares in Simcere Holding to be issued to them or their affiliates (the "**Rollover Arrangement**").

On December 23, 2013, upon completion of the Merger, Simcere Investments became a directly wholly-owned subsidiary of Simcere Holding and the Rollover Shareholders or their affiliates became shareholders of Simcere Holding with shareholding percentage in proportion to their previous shareholdings in Simcere Investments.

The privatization was financed by debt financing from a commercial bank to Simcere Holding, self-owned cash of Simcere Investments and its subsidiaries and equity commitment by the Rollover Shareholders through contributing the shares of Simcere Investments held by them to Simcere Holding.

Immediately following the privatization and the de-listing from the NYSE, the then shareholding structure of our Group is set out as below:



Notes:

(1) Artking was the nominee for Mr. Ren, New Good Management and Mr. Liu Hongquan for the purpose of the Rollover Arrangement. Immediately following the privatization of Simcere Investments, Artking was wholly-owned by New Good Management, which was in turn controlled by Mr. Ren, Excel Advance Group Limited (a company controlled by Mr. Ren Yong, son of Mr. Ren), Mr. Ren Weidong (brother of Mr. Ren), and Ms. Peng Suqin (mother of Mr. Ren Yong). The remaining equity interest of New Good Management was then held by current employees and ex-employees of the Group.

(2) Premier Praise was the nominee for Assure Ahead and Right Lane for the purpose of the Rollover Arrangement, and was wholly owned by Hony Capital.

(3) Simcere Europe was incorporated in Finland on September 14, 2007. Simcere Europe was not a principal subsidiary of our Group then.

(4) Simcere US was incorporated in the State of Delaware, United States on January 5, 2011. Simcere US was not a principal subsidiary of our Group then.

(5) CHINAVAX was incorporated in the Cayman Islands as an exempted company on July 28, 2006, and became a wholly-owned subsidiary of our Group in November 2009. We acquired CHINAVAX for the purpose of acquiring indirect equity interest in Jiangsu Quanyi. CHINAVAX was not a principal subsidiary of our Group then and was de-registered on March 31, 2020.

(6) Jiangsu Quanyi was established as a limited liability company in the PRC on April 11, 1995 and became a non-wholly-owned subsidiary of our Group in November 2009, with the remaining 47.5% equity interest held by Independent Third Parties. Jiangsu Quanyi was not a principal subsidiary of our Group then.

(7) Zigong Yirong was established as a limited liability company in the PRC on September 2, 2005 and became a wholly-owned subsidiary of our Group in July 2006. Zigong Yirong was not a principal subsidiary of our Group then.

(8) Qitian Pharmaceutical is a limited liability company established in the PRC on December 6, 1998 and became a subsidiary of our Group in December 2001. Qitian Pharmaceutical was not a principal subsidiary of our Group then.

(9) Simcere Shanghai Pharmaceutical was spun off from Shanghai Simcere and established as a limited liability company in the PRC on December 16, 2011. Simcere Shanghai Pharmaceutical was not a principal subsidiary of our Group then.

(10) BioSciKin Medical is a limited liability company established in the PRC on June 6, 2013. BioSciKin Medical was a wholly-owned subsidiary of Jiangsu Simcere at the time of establishment and was later transferred to Hainan Simcere on May 5, 2014. BioSciKin Medical was not a principal subsidiary of our Group then.

(11) Simcere Biology was established as a limited liability company in the PRC on March 14, 2012. Simcere Biology was not a principal subsidiary of our Group then.

(12) The remaining 51% equity interest in Shanghai Simcere was held by MSD China. Shanghai Simcere was not our subsidiary at the time but later became our subsidiary in February 2016.

(13) The remaining 30% equity interest in Wuhu Simcere was held by an Independent Third Party.

(14) Certain of our subsidiaries at the time had no or minimum business operations, and were subsequently de-registered or no longer with our Group as a result of our subsequent restructuring, and therefore are not included in this chart.

Our Directors confirm that Simcere Investments had been in compliance with all applicable U.S. securities laws and regulations as well as rules and regulations of the NYSE in all material respects, and had not been subject to any disciplinary action by the relevant regulators or any material litigation in this respect, during the period when it was listed on the NYSE and up to its de-listing therefrom or in connection with the de-listing.

Subsequent Development following the De-listing from the NYSE

Acquisition of the Remaining Equity Interest in Wuhu Simcere

On January 16, 2014, Simcere Pharmaceutical acquired the remaining 30% equity interest in Wuhu Simcere from Anhui Zhongren Technology Co., Ltd. (安徽中人科技有限責任公司) ("**Zhongren Technology**"), an Independent Third Party, for a consideration of RMB80,000,000, which was determined with reference to (i) the then paid-up registered capital of Wuhu Simcere, (ii) the principal amount of a loan of RMB10,000,000 lent by Jiangsu Simcere to Zhongren Technology in support of the research and development of Zhongren Technology, and (iii) the refund of a development fee of RMB3,000,000 payable by Zhongren Technology to Wuhu Simcere upon the termination of a technology development contract between them. Upon completion, Wuhu Simcere became a directly wholly-owned subsidiary of Simcere Pharmaceutical.

Share Transfer of Simcere Holding

On May 22, 2014, Artking and Premier Praise transferred to Palace Investments 1,116,722 shares and 2,851,184 shares of Simcere Holding, for a consideration of approximately USD3,908,239 and USD9,978,473, respectively, which were determined after arm's length negotiation and settled on April 7, 2014. For further details, see "– Pre-IPO Investments."

Disposal of Jiangsu Quanyi

As Jiangsu Quanyi engages in the research and development of preventive vaccines, its business is materially different from that of our Group. Therefore, to further streamline our business, Simcere Pharmaceutical and CHINAVAX disposed of their entire equity interest in Jiangsu Quanyi to an Independent Third Party in June 2014 for a total consideration of RMB23,953,650 determined after arm's length negotiation among the parties.

Incorporation of SPHL

SPHL was incorporated as an exempted company with limited liability in the Cayman Islands on August 15, 2014 and was wholly owned by SGG at the time of its incorporation. In December 2014, SPHL allotted and issued 41,999 shares to SGG in exchange for the equity interest held by SGG in our PRC operating subsidiaries. Upon completion of such allotment of shares, SPHL became the offshore holding company of the business of our Group at the time.

Spin-off of BioSciKin Business

In 2014 and 2015, we excluded from our Group certain subsidiaries that had different development strategies or did not carry out any actual business operations (the "**BioSciKin Business**"), so as to better focus on our core business, details of which are set out below.

Company	Original shareholder	New shareholder	Consideration	Principal business	Date of exclusion[(2)]
Nanjing BioSciKin Technology	Simcere Pharmaceutical	SGG	N/A, Nanjing BioSciKin Technology was spun off from Simcere Pharmaceutical and established as wholly owned by SGG	Property lease and management	September 10, 2014
Hainan BioSciKin	Hainan Simcere	SGG	N/A, Hainan BioSciKin was spun off from Hainan Simcere and established as wholly owned by SGG	Property lease and management	September 29, 2014

Company	Original shareholder	New shareholder	Consideration	Principal business	Date of exclusion[2]
Simcere Shanghai Pharmaceutical[1]	Hainan Simcere	Hainan BioSciKin	N/A, Simcere Shanghai Pharmaceutical became a subsidiary of Hainan BioSciKin as part of the spin-off arrangement of Hainan BioScikin	Property lease and management	May 7, 2015
BioSciKin Medical	Hainan Simcere	Hainan BioSciKin	N/A, BioSciKin Medical became a subsidiary of Hainan BioSciKin as part of the spin-off arrangement of Hainan BioScikin	Property development and investment in the healthcare industry[3]	August 26, 2015
Simcere Biology	Simcere Pharmaceutical and Jiangsu Simcere	BioSciKin Medical	RMB50,000,000	Simcere Biology did not carry out any actual business operations at the time	October 16, 2015

Note:

(1) On January 2, 2019, BioSciKin Medical acquired the entire equity interest in Simcere Shanghai Pharmaceutical from Hainan BioSciKin.

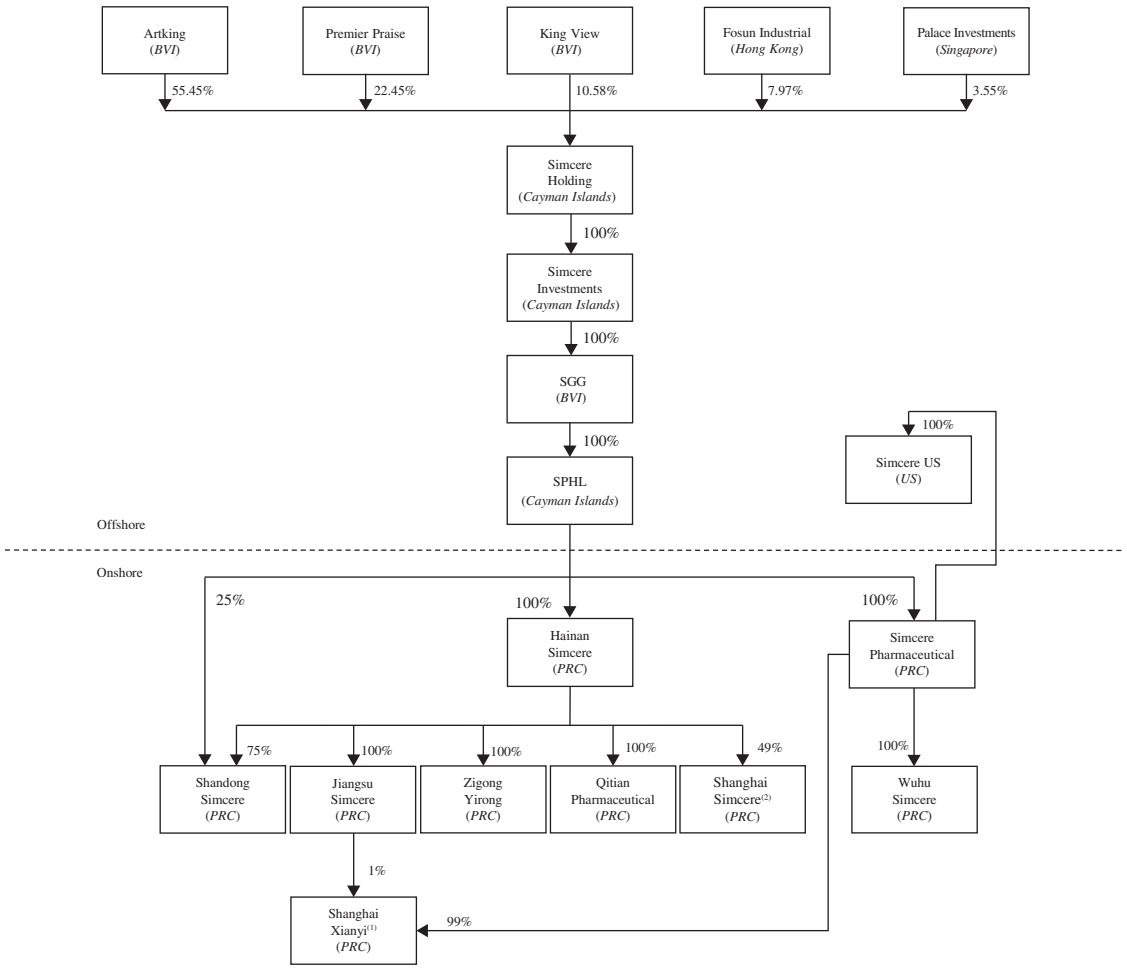
(2) The date of exclusion refers to the date of completing requisite filing procedures with the relevant local counterparts of the SAMR.

(3) As to the equity interest held by BioSciKin Medical in companies engaging in the pharmaceutical related area, it was later transferred to our Group during the Reorganization, details of which are set out in "– Reorganization – Onshore Reorganization – Acquisition of Subsidiaries from BioSciKin Medical."

REORGANIZATION

Our Directors consider Hong Kong to be a suitable place for listing as they believe that, with our businesses and operations being primarily located, managed and conducted in the PRC, a listing in Hong Kong will not only provide us with access to international capital markets where we could attract investors with a deep understanding of the Chinese pharmaceutical industry, but also provide better synergy for us in terms of improving our brand awareness and raising our corporate profile. In preparation for the Global Offering and the Listing, we underwent a corporate reorganization, details of which are set out as below.

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganization:



Notes:

(1) Shanghai Xianyi was established as a limited partnership in the PRC on November 20, 2015 and has been our subsidiary since its establishment. Shanghai Xianyi is not a principal subsidiary of our Group.

(2) The remaining 51% equity interest in Shanghai Simcere was held by MSD China. Shanghai Simcere was not our subsidiary at the time but later became our subsidiary in February 2016.

(3) Certain of our subsidiaries at the time had no or minimum business operations, and were subsequently de-registered or are no longer with our Group as a result of our subsequent restructuring, and therefore were not included in this chart.

Onshore Reorganization

Acquisition of the Remaining Equity Interest in Shanghai Simcere

In order to obtain full control over Shanghai Simcere's sales and distribution network of pharmaceutical products, Hainan Simcere acquired the remaining 51% equity interest in Shanghai Simcere from MSD China for a consideration of RMB10,200,000, which was determined based on arm's length negotiation between the parties and fully settled on March 6, 2017. Upon completion of such acquisition, Shanghai Simcere became a directly wholly-owned subsidiary of Hainan Simcere.

Transfer of Equity Interest in Shandong Simcere

On January 26, 2017, SPHL and Hainan Simcere entered into an equity transfer agreement, pursuant to which SPHL agreed to transfer its 25% equity interest in Shandong Simcere to Hainan Simcere, for a consideration of RMB93,000,000 determined with reference to a valuation report issued by an independent professional valuer regarding the net asset value of Shandong Simcere as of December 31, 2016. Upon completion, Shandong Simcere became a directly wholly-owned subsidiary of Hainan Simcere.

Transfer of Equity Interest in Simcere Pharmaceutical

On June 26, 2017, SPHL and our Company entered into an equity transfer agreement, pursuant to which SPHL agreed to transfer the entire equity interest in Simcere Pharmaceutical to our Company, in exchange for our Company allotting and issuing 19,999 Shares to SPHL. Upon completion, Simcere Pharmaceutical became a directly wholly-owned subsidiary of our Company. For details of establishment information of our Company, see "– Reorganization – Offshore Reorganization – Establishment of Our Company."

Establishment and Capital Increase of Simcere Technology

Simcere Technology was established as a limited liability company in the PRC on August 14, 2017. At the time of its establishment, Simcere Technology was a directly wholly-owned subsidiary of our Company. For details of establishment information of our Company, see "– Reorganization – Offshore Reorganization – Establishment of Our Company."

On December 4, 2017, our Company further contributed to the registered capital of Simcere Technology using the entire equity interest in Simcere Pharmaceutical and 88.92% equity interest in Hainan Simcere directly held by our Company then. For details of our Company's original acquisition of interest in Simcere Pharmaceutical and Hainan Simcere, see "– Reorganization – Offshore Reorganization – Allotment of Shares by Our Company in Connection with the Onshore Reorganization." Upon completion of such capital increase, Simcere Technology remained a directly wholly-owned subsidiary of our Company but became the sole shareholder of Simcere Pharmaceutical and held 88.92% equity interest in Hainan Simcere.

Shareholding Changes in Hainan Simcere

Investment by CDB Development Fund

In order to obtain additional financing to support the business growth of Hainan Simcere, CDB Development Fund, SPHL and Hainan Simcere entered into an investment agreement on October 21, 2015 (the "**Investment Agreement**"), pursuant to which CDB Development Fund agreed to contribute RMB100.5 million to Hainan Simcere, among which RMB24,500,000 was recorded as the registered capital with the remaining funds allocated to the capital reserve. Upon completion of such capital increase on March 8, 2016, Hainan Simcere was held by SPHL and CDB Development Fund as to 88.92% and 11.08%, respectively.

Set out below are the salient terms of the Investment Agreement:

(i) *Redemption Right.* CDB Development Fund is entitled to a redemption right, pursuant to which CDB Development Fund can require SPHL, the then direct shareholder of Hainan Simcere, to repurchase the equity interest held by CDB Development Fund in Hainan Simcere by instalments at a price equal to the consideration paid by CDB Development Fund at the time of its investment;

(ii) *Redemption Timetable.* SPHL shall repurchase the equity interest held by CDB Development Fund in Hainan Simcere from March 20, 2019 to October 22, 2025, during which period SPHL shall repurchase 1.54% of the equity interest in Hainan Simcere in each year from 2019 to 2024, and repurchase the remaining 1.84% equity interest in Hainan Simcere on October 22, 2025. Notwithstanding the specified timetable, SPHL is entitled to repurchase the equity interest held by CDB Development Fund at its volition, provided that it shall notify CDB Development Fund in writing one month prior to the intended repurchase;

(iii) *Annual Interest.* CDB Development Fund is entitled to an annual interest of 1.2% of its initial investment amount for its investment in Hainan Simcere, which shall be paid by Hainan Simcere as dividends;

(iv) *Special Rights.* CDB Development Fund is entitled to certain special rights under the Investment Agreement, including liquidation preference, right of first refusal, co-sale rights, as well as pre-emptive rights and information rights that are in line with the shareholders' rights as stipulated under the PRC Company Law; and

(v) *Special Resolutions.* Certain events require the passing by a majority of not less than 2/3 of votes cast by shareholders of Hainan Simcere at its general meetings, including among others (a) amending the articles of association, increasing or decreasing the registered capital, merger, division, dissolution or otherwise altering the form of Hainan Simcere; (b) establishing any subsidiary of Hainan Simcere; and (c) other events that may have material adverse effects on the rights of CDB Development Fund under the Investment Agreement.

Pursuant to the shareholders resolution of Hainan Simcere on November 24, 2017, Simcere Pharmaceutical, the current shareholder of Hainan Simcere, will supersede SPHL to fulfill its repurchase obligation under the Investment Agreement. Mr. Ren (together with certain of his close associates) has provided guarantees to CDB Development Fund in respect of such repurchase obligation of SPHL under the Investment Agreement. See "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence" for further details. As of the Latest Practicable Date, we had paid RMB28 million to CDB Development Fund, which consists of RMB14 million paid on March 20, 2019 and RMB14 million paid on March 20, 2020 for the repurchase of 1.54% and 1.54% of the equity interest in Hainan Simcere held by CDB Development Fund, respectively, and the outstanding amount to be repurchased is equal to RMB72.5 million.

The investment of CDB Development Fund in Hainan Simcere is recognized as a borrowing of our Group in our financial statements under HKAS 32 with the attributable equity interest of Hainan Simcere regarded as being held by our Company as to 100%, and the RMB28 million we paid for the repurchase of 3.08% of the equity interest in Hainan Simcere is recognized as repayment of such borrowing. According to HKAS 32, an instrument is classified as a financial liability if it is a contractual obligation to deliver cash or other financial assets. Pursuant to the Investment Agreement, our Group is obliged to repurchase the equity interest held by CDB Development Fund in Hainan Simcere in accordance with the schedule stated in the Investment Agreement and our Group does not have an unconditional right to avoid delivering cash to to settle our obligation. Therefore, the investment made by CDB Development Fund in Hainan Simcere meets the definition of financial liabilities and the investment made by CDB Development Fund in Hainan Simcere is recognized as a borrowing of our Group in our consolidated financial statements.

Subsequent Transfers of Equity Interest in Hainan Simcere

In late 2017, members of our Group underwent the below internal restructuring steps, each of which relates to the 88.92% equity interest in Hainan Simcere held by our Group.

Transferor	**Transferee**	**Consideration**	**Date of the equity transfer**
SPHL	The Company	20,000 Shares of the Company	September 28, 2017
The Company	Simcere Technology	Equity interest in Simcere Technology attributable to its registered capital in the amount of USD22,358,900	November 15, 2017
Simcere Technology	Simcere Pharmaceutical	Equity interest in Simcere Pharmaceutical attributable to its registered capital in the amount of RMB147,143,920	December 15, 2017

The consideration for each of the above-mentioned transactions was determined with reference to a valuation report issued by an independent professional valuer regarding the net asset value of Hainan Simcere as of December 31, 2016, and had been fully settled as of the Latest Practicable Date. Upon completion of such equity transfers, Hainan Simcere was held by Simcere Pharmaceutical and CDB Development Fund as to 88.92% and 11.08%, respectively.

Disposal of Qitian Pharmaceutical

During the Track Record Period, Hainan Simcere engaged in the production of diosmectite at the site of Qitian Pharmaceutical in Sanya, the PRC, where Qitian Pharmaceutical provided ore processing services to Hainan Simcere. Diosmectite is a type of active pharmaceutical ingredients starting material used in the production process of our pharmaceutical products. In order to optimize our business operations, we decided to relocate our pharmaceutical factory in Sanya to Haikou and therefore ceased the operation of Qitian Pharmaceutical in March 2020. On April 10, 2020, Hainan Simcere entered into an equity transfer agreement with Hainan BioSciKin, pursuant to which Hainan Simcere agreed to dispose of the entire equity interest in Qitian Pharmaceutical to Hainan BioSciKin at nil consideration. Such consideration was determined with reference to the valuation of Qitian Pharmaceutical conducted by Hainan Lixin Changjiang Assets Appraisal Firm (海南立信長江資產評估事務所), an independent professional valuer, based on its net asset value as of December 31, 2019. Our PRC Legal Advisors are of the view that the abovementioned equity transfer at nil consideration is not in violation of relevant PRC laws and regulations. Qitian Pharmaceutical recorded revenue of RMB163,082 and a loss of RMB 468,696.36 from January 1, 2020 to April 29, 2020, being the date of completion of such disposal, respectively. Our Group recorded a net gain of RMB1.6 million arising from the disposal of Qitian Pharmaceutical, being the difference between the consideration received and the net liabilities of Qitian Pharmaceutical as of April 29, 2020.

Upon the completion of such transfer on April 29, 2020, Qitian Pharmaceutical became a wholly-owned subsidiary of Hainan BioSciKin and no longer engages in any business that competes or is likely to compete with the business of our Group.

Acquisition of Subsidiaries from BioSciKin Medical

In order for us to further develop our capabilities in the biological pharmaceuticals related area, we acquired certain readily available companies that had research and development capacity from BioSciKin Medical, details of which are set out below.

Simcere Biological Pharmaceutical

Simcere Biological Pharmaceutical was established as a limited liability company in the PRC on July 10, 2017, and was wholly owned by Nanjing BioSciKin Pharmaceutical Industrial Co., Ltd. (南京百家匯醫藥產業有限公司) ("**Nanjing BioSciKin Pharmaceutical**"), a wholly-owned subsidiary of BioSciKin Medical, at the time of its establishment.

On August 27, 2018, Simcere Pharmaceutical and Nanjing BioSciKin Pharmaceutical entered into an equity transfer agreement, pursuant to which Simcere Pharmaceutical agreed to acquire the entire equity interest in Simcere Biological Pharmaceutical for a consideration of RMB50,000,000, which was determined after arm's length negotiation with reference to the then paid-up registered capital of Simcere Biological Pharmaceutical and was fully settled on December 7, 2018.

Simcere Biology

On February 28, 2017, Shandong Simcere and BioSciKin Medical entered into an equity transfer agreement, pursuant to which Shandong Simcere agreed to acquire the entire equity interest in Simcere Biology from BioSciKin Medical for a consideration of approximately RMB3,176,465, which was determined after arm's length negotiation with reference to the asset value of Simcere Biology and was fully settled on December 29, 2017.

Simcere Shanghai Pharmaceutical

On June 10, 2019, Simcere Pharmaceutical and BioSciKin Medical entered into an equity transfer agreement, pursuant to which Simcere Pharmaceutical agreed to acquire the entire equity interest in Simcere Shanghai Pharmaceutical for a consideration of RMB464,600,000, which was determined after arm's length negotiation with reference to a valuation report issued by an independent professional valuer regarding the assessed value of Simcere Shanghai Pharmaceutical as of March 31, 2019 and was fully settled on July 30, 2019.

Nanjing BioSciKin

Nanjing BioSciKin was established as a limited liability company in the PRC on December 13, 2018 and was wholly owned by BioSciKin Medical at the time of its establishment. On June 27, 2019, Simcere Pharmaceutical entered into an equity transfer agreement, pursuant to which Simcere Pharmaceutical agreed to acquire the entire equity interest in Nanjing BioSciKin at nil consideration, which was determined with reference to the then paid-up registered capital of Nanjing BioSciKin. Our PRC Legal Advisors are of the view that the abovementioned equity transfer at nil consideration is not in violation of relevant PRC laws and regulations.

Capital Increase in BCY Pharm

BCY Pharm was established as a limited liability company in the PRC on October 28, 2011. On July 15, 2019, Nanjing BioSciKin acquired from BioSciKin Medical a 33% equity interest in BCY Pharm for a consideration of RMB33,429,000, which was determined based on the arm's length negotiation between the parties with reference to a valuation report issued by an independent valuer regarding the market value of BCY Pharm's equity interest and was fully settled on September 18, 2019.

On April 30, 2020, Nanjing BioSciKin entered into a capital increase agreement with the other shareholders of BCY Pharm, all of which were Independent Third Parties, pursuant to which Nanjing BioSciKin agreed to contribute RMB40,000,000 to BCY Pharm, among which RMB7,000,000 was recorded as the registered capital with the rest of the funds allocated to the capital reserve. Such consideration was determined based on the arm's length negotiation among the parties with reference to the pre-money valuation of BCY Pharm dated May 16, 2019. The capital increase was completed on May 13, 2020 in accordance with the terms of the capital increase agreement, and upon completion, BCY Pharm was held as to approximately 52.14% by Nanjing BioSciKin.

Contractual Arrangements

In April 2020, in order for us to operate in the business of R&D of CAR T-cell therapy and TCR T-cell therapy, certain of our subsidiaries were incorporated, established or acquired, which include (i) Simgene Group, which was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on April 9, 2020 and was a directly wholly-owned subsidiary of our Company; (ii) Simcere Industrial, which was acquired by Simgene Group from SPHL for a consideration of HKD1.0, which was determined after arm's lengths negotiation and was fully settled on April 21, 2020; (iii) Shanghai Xianbo, which was established as a limited liability company in the PRC on April 22, 2020 and was held by Mr. Ren and Mr. Zhu Zhenfei as to 95% and 5%, respectively; and (iv) Shanghai Xianjing, which was established as a limited liability company in the PRC on April 23, 2020 and was a directly wholly-owned subsidiary of Simcere Industrial.

We subsequently entered into the Contractual Arrangements with Shanghai Xianbo and its registered shareholders on April 30, 2020. For further details, see "Contractual Arrangements."

Offshore Reorganization

Establishment of Our Company

On November 30, 2015, our Company was incorporated as a private company limited by shares in Hong Kong and was wholly-owned by SPHL.

Adoption of the Pre-IPO Share Incentive Scheme

On July 31, 2014, SPHL, our then offshore holding company of our business, adopted a share incentive scheme with a view to recognizing the contributions of our employees and to incentivize them to further promote our development (the "**Pre-IPO Share Incentive Scheme**"). In connection with the Pre-IPO Share Incentive Scheme, Excel Management executed a declaration of trust as the trustee on December 10, 2015 in order to hold shares of SPHL for the benefit of participants of the Pre-IPO Share Incentive Scheme.

On July 8, 2016, SPHL allotted and issued 5,583,613 shares to Artking, and immediately thereafter, Artking transferred such 5,583,613 shares of SPHL to Excel Management. Such 5,583,613 shares of SPHL held by Excel Management was for the purpose of the Pre-IPO Share Incentive Scheme.

After our Company became the offshore holding company of our business, on June 21, 2019, our Company allotted and issued 54,719,407 Shares to Excel Management to enable it to directly hold Shares of our Company and maintain its total shareholding interest in our Group at the same proportionate level. For further details, see "– Reorganization – Offshore Reorganization – Allotment of Shares by Our Company to the Shareholders."

On April 4, 2020, Excel Management allotted and issued an aggregate of 111,572,260 shares to Assure Good, Great Good, Next Good and Promise Good, being the holding vehicles for the participants of the Pre-IPO Share Incentive Scheme. On the same date, Estera Services (Bermuda) Limited, the trustee of the Excel Management Trust, transferred all the equity interest it held in Excel Management, being 100,000 shares, to Promise Good.

As of the Latest Practicable Date, all the restricted shares under the Pre-IPO Share Incentive Scheme have been granted, and the equity interest in our Company under the Pre-IPO Share Incentive Scheme is indirectly held by the participants of the Pre-IPO Share Incentive Scheme through Excel Management and its holding companies, namely Assure Good, Great Good, Next Good and Promise Good. See "Appendix V – Statutory and General Information – D. Pre-IPO Share Incentive Scheme" for further details.

Allotment of Shares by Our Company in Connection with the Onshore Reorganization

On December 31, 2017, our Company issued and allotted 39,999 ordinary Shares to SPHL, among which 19,999 ordinary Shares were consideration in exchange for the entire equity interest in Simcere Pharmaceutical directly held by SPHL then, and 20,000 ordinary Shares were consideration for the 88.92% equity interest in Hainan Simcere directly held by SPHL then. For details, see "– Reorganization – Onshore Reorganization – Transfer of Equity Interest in Simcere Pharmaceutical" and "– Reorganization – Onshore Reorganization – Shareholding Changes in Hainan Simcere – Subsequent Transfers of Equity Interest in Hainan Simcere."

Allotment of Shares by SPHL

On July 20, 2016, SPHL allotted and issued an aggregate of 105,036,842 shares to SGG, Artking, Palace Investments and Premier Praise. On August 22, 2016, SPHL allotted and issued an aggregate of 6,215,426 shares to King View and Fosun Industrial. The abovementioned allotment and issuance of shares were to enable each of Palace Investments, Premier Praise, King View and Fosun Industrial to directly hold shares of SPHL and maintain their total shareholding interest in our Group at the same proportionate level. On October 18, 2018, SGG transferred its entire equity interest in SPHL to Simcere Investments by way of distribution in kind. Upon completion, the then shareholding structure of SPHL is set out as below:

Company name	Number of shares	Percentage of shareholding
Simcere Investments	78,170,588	66.67%
Artking	18,575,817	15.84%
Premier Praise	7,520,065	6.41%
Excel Management	5,583,613	4.76%
King View	3,546,000	3.02%
Fosun Industrial	2,669,426	2.28%
Palace Investments	1,190,372	1.02%
Total	117,255,881	100%

Incorporation and Acquisitions of Overseas Subsidiaries

Incorporation of Simcere UK, Simcere Innovation and Simgene LLC

Simcere UK was incorporated in the United Kingdom on December 20, 2017 and has been a directly wholly-owned subsidiary of our Company since its incorporation.

Simcere Innovation was incorporated in the State of Delaware, the United States on March 22, 2019 and has been a directly wholly-owned subsidiary of Simcere US since its incorporation.

Simgene LLC was incorporated in the Commonwealth of Massachusetts, the United States on April 19, 2019 and has been a directly wholly-owned subsidiary of Simcere US since its incorporation.

Acquisition of Simcere International

Simcere International was incorporated in Hong Kong on June 19, 2014 and was directly wholly owned by SGG at the time of its incorporation. On July 29, 2015, Simcere International issued 100,000,000 ordinary shares to Simcere Pharmaceutical, representing 45.45% of its entire equity interest. Later, in order to integrate the investment resources of Simcere International into our Group, on December 14, 2015, Simcere International repurchased its

54.55% equity interest held by SGG for a nominal consideration of HKD1 which was determined based on arm's length negotiation between the parties. Upon completion, Simcere International became a directly wholly-owned subsidiary of Simcere Pharmaceutical.

Acquisition of Simcere Europe

Simcere Europe was incorporated in Finland on September 14, 2007. Since Simcere Europe holds the license that would enable us to market our products in Europe, and to avoid any potential competition between our Group and SGG, on June 20, 2019, we acquired the entire equity interest in Simcere Europe from SGG for a consideration of EUR2,500 determined after arm's length negotiation between the parties with reference to the then paid-up share capital of Simcere Europe.

Share Transfers of Our Shareholders

Share Transfer of Simcere Holding

On October 16, 2018, FFI, a holding vehicle of Mr. Ren, Premier Praise, King View, Fosun Industrial and Palace Investments, entered into a share purchase agreement (the "**2018 Share Purchase Agreement**"), pursuant to which FFI agreed to purchase 19,047,966 shares, 8,442,857 shares and 6,355,777 shares and 2,834,219 shares of Simcere Holding from Premier Praise, King View, Fosun Industrial and Palace Investments, respectively, for a total consideration of approximately RMB2,101,198,227.

On January 10, 2019, FFI and Premier Praise entered into a termination agreement to terminate the 2018 Share Purchase Agreement as between FFI and Premier Praise only, and on May 22, 2019, EGG (another of Mr. Ren's holding vehicles) and Premier Praise entered into a share purchase agreement (the "**2019 Share Purchase Agreement**"), pursuant to which EGG agreed to purchase 19,047,966 shares of Simcere Holding, namely the original number of shares contemplated to be purchased by FFI, from Premier Praise for a consideration of approximately RMB1,091,649,590, which represents the consideration payable for the transfer of shares of Simcere Holding to FFI from Premier Praise under the 2018 Share Purchase Agreement.

The considerations under the 2018 Share Purchase Agreement and the 2019 Share Purchase Agreement were determined after arm's length negotiation among the parties based on the business prospects, results of operation and financial condition of the Group. The consideration under the 2018 Share Purchase Agreement, including the consideration payable to Premier Praise for the transfer of shares of Simcere Holding from Premier Praise to FFI as originally contemplated under the 2018 Share Purchase Agreement, was fully settled by FFI on April 29, 2019 and consequently, the consideration under the 2019 Share Purchase Agreement was in effect fully settled on April 29, 2019.

Upon completion of the above purchases of shares, the then shareholding structure of Simcere Holding is set out as below:

Company name	Number of shares	Percentage of shareholding
Artking	61,919,391	55.45%
EGG	19,047,966	17.05%
FFI	17,632,853	15.79%
Premier Praise	6,018,917	5.39%
King View	3,377,143	3.02%
Fosun Industrial	2,542,311	2.28%
Palace Investments	1,133,687	1.02%
Total	111,672,268	100%

In order to fund the acquisition of shares of Simcere Holding, FFI borrowed USD110,000,000 (the "**Controlling Shareholder's Borrowing**") from Industrial Bank Co., Ltd. Hong Kong Branch and CICC Hong Kong Finance (Cayman) Limited ("**CICC Cayman**"), an affiliate of China International Capital Corporation Hong Kong Securities Limited, one of the Joint Sponsors. In connection with the Controlling Shareholder's Borrowing, Mr. Ren and EGG charged the entire equity interest held in EGG and FFI, respectively, as security interest in favor of CICC Cayman. Both EGG and FFI held equity interest in Simcere Holding and our Company at the relevant time. The Controlling Shareholder's Borrowing had been repaid and the security interest charged in favor of CICC Cayman had been released as of the Latest Practicable Date through refinancing arrangements provided by an authorized institution (as defined in the Banking Ordinance) (the "**Authorized Institution**"). Under such refinancing arrangement, a portion of Artking's interest in our Company had been charged as security interest in favor of the Authorized Institution, which was carried out in accordance with the Listing Rules, including, without limitation to, Rule 10.07 in respect of restrictions on disposal of shares by controlling shareholders following a new listing.

Subscription of Shares of FFI

On October 25, 2019, Mr. Ren, FFI, EGG and InnoPharma, entered into a share subscription agreement, pursuant to which InnoPharma agreed to subscribe for 629,527 ordinary shares of FFI for a consideration of approximately USD35,943,014, which was determined after arm's length negotiation between the parties and was fully settled on October 29, 2019. For further details, see "– Pre-IPO Investments."

Allotment of Shares by Our Company to the Shareholders

After our Company became the offshore holding company of our business, on June 21, 2019, our Company issued and allotted an aggregate of 2,345,077,618 new Shares to SPHL, Artking, EGG, FFI, Excel Management, Premier Praise, King View, Fosun Industrial and Palace Investments to enable each of these Shareholders to directly hold Shares of our Company and maintain their total shareholding interest in our Group at the same proportionate level. Upon completion, the then shareholding structure of our Company is set out as below:

Company name	Number of Shares	Percentage of shareholding
SPHL	1,196,009,986	51.00%
Artking	606,810,031	25.88%
EGG	130,669,050	5.57%
FFI	120,961,370	5.16%
Premier Praise	114,986,405	4.90%
King View	57,918,000	2.47%
Excel Management	54,719,407	2.33%
Fosun Industrial	43,600,629	1.86%
Palace Investments	19,442,740	0.83%
Total	2,345,117,618	100%

Share Transfer of Our Company

On April 8, 2020, EGG, CNCB HK and CNCB SPC (acting on behalf of CNCB Capital Opportunity Investment Fund SP ("**CNCB Investment**")) entered into a share purchase agreement, pursuant to which EGG agreed to transfer 9,263,736 Shares to each of CNCB HK and CNCB SPC (acting on behalf of CNCB Investment), for a total consideration of USD20 million, which was determined after arm's length negotiation with reference to the relevant investors' assessment of the business prospects, results of operation and financial condition of our Group and was fully settled on April 15, 2020. For further details, see "– Pre-IPO Investments."

Compliance

As advised by our PRC Legal Advisors, all required regulatory approvals in relation to the onshore reorganization as described above have been obtained and the procedures involved have been carried out in accordance with the PRC laws and regulations, and our PRC Legal Advisors further confirmed that the equity transfers, disposals and capital contributions in the PRC and the onshore reorganization as described above have been properly and legally completed.

POST-TRACK RECORD PERIOD ACQUISITION

On December 31, 2018, an investment agreement was entered into among TCRCure Beijing, TCRCure US, the then shareholders of TCRCure Beijing, Simcere Pharmaceutical and three other investors (the "**TCRCure Shareholders**"), pursuant to which Simcere Pharmaceutical agreed to invest in TCRCure Beijing and TCRCure US at an investment amount of RMB50,000,000. Such investment amount was determined after arm's length negotiation with reference to the business prospects, results of operation and financial condition of TCRCure Beijing and TCRCure US, and was fully settled on February 26, 2019. Later, due to our internal business restructuring, Simcere Pharmaceutical transferred its entire rights and obligations in relation to the TCRCure Companies Acquisition to Shanghai Xianbo. Meanwhile, the TCRCure Companies and their affiliates have been undergoing a series of reorganization. Our investment in TCRCure Beijing was completed on July 6, 2020, whereas the offshore tranche of the TCRCure Companies Acquisition has not been fully completed as of the Latest Practicable Date pending the completion of the reorganization of the TCRCure Companies and their affiliates. Upon completion of such investment, the group of the TCRCure Companies after reorganization will be held by the subsidiary of our Company and other shareholders (who are all Independent Third Parties) as to 6.25% and 93.75% respectively.

The TCRCure Companies primarily engage in the R&D of immuno-oncology cell therapy. The minority investment in the TCRCure Companies facilitates our collaboration with them regarding the R&D of TCR T-cell therapy, which is one of our strategic focuses. According to the unaudited accounts of TCRCure Beijing, its total assets amounted to approximately RMB135.7 million as of December 31, 2019, and it recorded revenue and net loss of approximately RMB0.9 million and RMB53.1 million for the financial year ended December 31, 2019.

We have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in relation to the TCRCure Companies Acquisition. For more details, see "Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Shareholding Acquired after the Track Record Period."

PRC LISTING PLAN

We previously considered the possibility of seeking an initial public offering within the PRC (the "**PRC Listing Plan**"). We engaged China International Capital Corporation Limited as the tutoring agency (the "**Tutoring Agency**") to provide guidance and preliminary compliance advice with regard to the requirements of the CSRC and the relevant stock exchange. The Tutoring Agency made a preliminary tutoring filing (上市輔導備案申請) with the Jiangsu Regulatory Bureau of CSRC (中國證券監督管理委員會江蘇監管局) in July 2019, and such preliminary tutoring filing is an administrative step for listing preparation and did not constitute a formal listing application by itself. Although the listing of offshore incorporated applicants is permitted pursuant to the relevant PRC rules and regulations, relevant supplementary rules and regulations had not been promulgated. Therefore, in early 2020, we

decided not to actively pursue the PRC Listing Plan at the current stage after considering a number of factors, including the uncertainty of the applicable rules and regulations, the timing and other commercial considerations.

As of the Latest Practicable Date, we have not determined the size and scope of the contemplated offering in the PRC and have not filed any formal listing application with the CSRC, any stock exchange or any other regulatory authority in the PRC, nor were there any proposed timetable for the PRC Listing Plan. There is no assurance we will conduct an initial public offering within the PRC in the future. To the best of their knowledge, our Directors are not aware of any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to the PRC Listing Plan. Based on their review of the public announcement of the preliminary tutoring filing, the Joint Sponsors are not aware of any information in relation to the PRC Listing Plan that is inconsistent with the disclosure of the description of PRC Listing Plan in this Prospectus.

PRE-IPO INVESTMENTS

Summary of Pre-IPO Investors' Shareholding in Our Company

The following table sets forth a summary of the investments made by each Pre-IPO Investor and subsequent changes to its equity interest held in our Company as part of the Reorganization:

Investor	Investment made by the investor and subsequent changes to its equity interest held in our Company
Premier Praise	*Shareholding in Simcere Holding*: on March 28, 2006, Assure Ahead subscribed for 15,500 shares of SGG. For the purpose of the NYSE Listing, SGG was restructured to become a wholly-owned subsidiary of Simcere Investments, and Assure Ahead's interest in SGG was reflected at the level of Simcere Investments. On June 25, 2008, Assure Ahead transferred 1,612,694 shares of Simcere Investments to Right Lane. In 2013, pursuant to the Rollover Arrangement, Assure Ahead and Right Lane nominated Premier Praise to hold their corresponding equity interest in Simcere Holding. Later on May 22, 2019, Premier Praise transferred 19,047,966 shares of Simcere Holding to EGG. *Shareholding in SPHL*: as part of the offshore reorganization, on July 20, 2016, Premier Praise subscribed for 7,520,065 shares of SPHL in order to maintain its total shareholding interest in our Group at the same proportionate level. *Shareholding in our Company*: as part of the offshore reorganization, on June 21, 2019, Premier Praise subscribed for 114,986,405 Shares of our Company in order to maintain its total shareholding interest in our Group at the same proportionate level.

Investor	Investment made by the investor and subsequent changes to its equity interest held in our Company
King View	*Shareholding in Simcere Holding*: King View purchased 11,820,000 shares of Simcere Investments from New Good Management on May 12, 2008, and later rolled over its interest in Simcere Investments to Simcere Holding pursuant to the Rollover Arrangement. Later on April 30, 2019, King View transferred 8,442,857 shares of Simcere Holding to FFI. *Shareholding in SPHL*: as part of the offshore reorganization, on August 22, 2016, King View subscribed for 3,546,000 shares of SPHL in order to maintain its total shareholding interest in our Group at the same proportionate level. *Shareholding in our Company*: as part of the offshore reorganization, on June 21, 2019, King View subscribed for 57,918,000 Shares of our Company in order to maintain its total shareholding interest in our Group at the same proportionate level.
Fosun Industrial	*Shareholding in Simcere Holding*: Fosun Industrial purchased 8,898,088 shares of Simcere Investments from the secondary market during Simcere Investments' listing on the NYSE, and later rolled over its interest in Simcere Investments to Simcere Holding pursuant to the Rollover Arrangement. Later on April 30, 2019, Fosun Industrial transferred 6,355,777 shares of Simcere Holding to FFI. *Shareholding in SPHL*: as part of the offshore reorganization, on August 22, 2016, Fosun Industrial subscribed for 2,669,426 shares of SPHL in order to maintain its total shareholding interest in our Group at the same proportionate level. *Shareholding in our Company*: as part of the offshore reorganization, on June 21, 2019, Fosun Industrial subscribed for 43,600,629 Shares of our Company in order to maintain its total shareholding interest in our Group at the same proportionate level.
Palace Investments	*Shareholding in Simcere Holding*: on May 22, 2014, Palace Investments purchased 1,116,722 shares and 2,851,184 shares of Simcere Holding from Artking and Premier Praise, respectively. Later on April 29, 2019, Palace Investments transferred 2,834,219 shares of Simcere Holding to FFI. *Shareholding in SPHL*: as part of the offshore reorganization, on July 20, 2016, Palace Investments subscribed for 1,190,372 shares of SPHL in order to maintain its total shareholding interest in our Group at the same proportionate level. *Shareholding in our Company*: as part of the offshore reorganization, on June 21, 2019, Palace Investments subscribed for 19,442,740 Shares of our Company in order to maintain its total shareholding interest in our Group at the same proportionate level.
InnoPharma	*Shareholding in FFI*: on October 25, 2019, InnoPharma subscribed for 629,527 shares of FFI.
CNCB HK	*Shareholding in our Company*: on April 15, 2020, CNCB HK purchased 9,263,736 Shares of our Company from EGG.
CNCB SPC (acting on behalf of CNCB Investment)	*Shareholding in our Company*: on April 15, 2020, CNCB SPC purchased 9,263,736 Shares of our Company from EGG.

Principal Terms of the Pre-IPO Investments

The following table sets forth other key particulars of the Pre-IPO Investments:

	Premier Praise	Fosun Industrial	King View	Palace Investments	InnoPharma	CNCB HK	CNCB SPC
Date of relevant agreement with the Pre-IPO Investor	March 28, 2006[1]	N/A[2]	April 26, 2008	April 4, 2014	October 25, 2019	April 8, 2020	April 8, 2020
Date on which the consideration was fully settled	March 28, 2006	N/A[3]	May 12, 2008	April 7, 2014	October 29, 2019	April 15, 2020	April 15, 2020
Consideration paid	approximately USD26.4 million	N/A[4]	approximately USD60.28 million	approximately USD13.89 million	approximately USD35.94 million	USD10 million	USD10 million
Effective cost per share paid by the investors[5]	USD0.04	N/A	USD0.28	USD0.17	USD0.61	USD1.08	USD1.08
Discount to the maximum Offer Price	97.95%	N/A	84.35%	90.57%	65.60%	38.90%	38.90%
Basis of determination of the consideration[6]	The consideration was determined through arm's length negotiation among relevant parties, taking into account relevant investor's assessment of value based on the business prospects, results of operation and financial condition of our Group at the time of the relevant investment.						
Valuation of our Company	USD85.2 million	N/A[7]	USD685.0 million	USD539.2 million	USD1,426.3 million	RMB18.0 billion	RMB18.0 billion
Use of proceeds from the Pre-IPO Investments	The proceeds from the Pre-IPO Investments made by Premier Praise were fully utilized as of the Latest Practicable Date for our acquisitions in the PRC and as general working capital to support our business operations. Other Pre-IPO Investors invested in our Group through the secondary market during the period in which Simcere Investments was listed on the NYSE, or by purchasing shares from existing shareholders of our Group at the time. Therefore our Group did not receive any proceeds from these investors.						
Percentage of direct and indirect shareholding in our Company upon completion of the Pre-IPO Investments and the Reorganization	10.00%	3.80%	5.04%	1.70%	2.52%	0.4%	0.4%

	Premier Praise	Fosun Industrial	King View	Palace Investments	InnoPharma	CNCB HK	CNCB SPC
Percentage of direct and indirect shareholding in our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	9.00%	3.41%	4.53%	1.53%	2.27%	0.36%	0.36%

Lock-up	The Shares held by the Pre-IPO Investors are subject to a lock-up period of six months after the Listing.
Strategic benefits of the investors brought to our Company	Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company, and their investment demonstrates their confidence in the operation of our Group and serves as an endorsement of our Company's performance, strength and prospects.

Notes:

(1) The date refers to the time when Assure Ahead made its investment in SGG. For details of the relationship between Assure Ahead and Premier Praise, see "– Pre-IPO Investments – Summary of Pre-IPO Investors' Shareholding in Our Company."

(2) Not applicable to Fosun Industrial as it first purchased the shares of Simcere Investments from secondary market during Simcere Investments' listing on the NYSE.

(3) Fosun Industrial first invested in our Group by multiple purchases from the secondary market during Simcere Investments' listing on the NYSE, and therefore the date on which the consideration was fully settled by Fosun Industrial was not specified.

(4) Fosun Industrial first invested in our Group by multiple purchases from the secondary market at market price during Simcere Investments' listing on the NYSE, and therefore the total consideration paid by Fosun Industrial was not specified.

(5) The denominator used in the calculation was the number of the total issued shares of our Company multiplied by the aggregate of direct and indirect shareholding interest held by each of the Pre-IPO Investors upon completion of their respective Pre-IPO Investments in our Group.

(6) The basis for the consideration does not apply to the investments made by Fosun Industrial as it first invested in our Group by multiple purchases from the secondary market during Simcere Investments' listing on the NYSE.

(7) Fosun Industrial first invested in our Group by multiple purchases from the secondary market at market price during Simcere Investments' listing on the NYSE, and therefore the valuation of our Company at the time of Fosun Industrial's investments was not specified.

Special Rights Granted to the Pre-IPO Investors

In connection with the Pre-IPO Investments by Premier Praise, King View, Fosun Industrial and Palace Investments in Simcere Holding, certain special rights were granted to these investors with respect to their shareholdings in Simcere Holding, including, among others, information rights, veto rights, tag-along rights, pre-emptive rights and director nomination rights.

In connection with the Pre-IPO Investment by InnoPharma in FFI, certain special rights were granted to InnoPharma with respect to its shareholding in FFI, including, among others, redemption rights, veto rights, rights of first refusal, tag-along rights, pre-emptive rights and director nomination rights.

In connection with the Pre-IPO Investment by CNCB HK and CNCB SPC (acting on behalf of CNCB Investment) in our Company, certain special rights were granted to CNCB HK and CNCB SPC (acting on behalf of CNCB Investment) with respect to their shareholding in our Company, including, among other things, information rights, pre-emptive rights and anti-dilution rights.

The redemption right granted to InnoPharma with respect to its shareholding in FFI will no longer be effective immediately prior to the filing of the application for the Listing, unless such application for the Listing is withdrawn, rejected, returned or lapsed. All the other special rights granted to the Pre-IPO Investors will be automatically terminated upon the Listing.

Information about the Pre-IPO Investors

Premier Praise

Premier Praise was incorporated under the laws of the British Virgin Islands on April 11, 2011 and was nominated by each of Assure Ahead Investments Limited and Right Lane Limited to subscribe for shares of Simcere Holding for the purpose of privatization of Simcere Investments. Premier Praise is held as to 82.22% by Hony Capital Fund V, L.P. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan, our non-executive Director, and as to 51% by two other individuals who are Independent Third Parties, respectively.

Fosun Industrial

Fosun Industrial was incorporated under the laws of Hong Kong on September 22, 2004 and was an investment holding company wholly-owned by Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**"), a company listed on both the Shanghai Stock Exchange (Stock Code: 600196.SH) and the Hong Kong Stock Exchange (Stock Code: 2196.HK), an Independent Third Party. Fosun Pharma, together with its subsidiaries, focuses on the manufacture and R&D of pharmaceuticals with its business covering the fields of medical devices and medical diagnosis, healthcare services, as well as pharmaceutical distribution and retail.

King View

King View was an investment vehicle incorporated under the laws of the British Virgin Islands on February 6, 2008 as a special purpose vehicle for investing in our Group and was wholly-owned by Trustbridge Partners II, L.P., a private equity investment fund incorporated in the Cayman Islands whose investors include world renowned college trust funds and sovereign wealth funds. Trustbridge Partners II, L.P. was ultimately controlled by an investment decision committee composed of six individuals who were Independent Third Parties.

Palace Investments

Palace Investments was incorporated under the laws of Singapore on June 20, 2012 and was an investment holding company wholly-owned by PavCap Fund I, an indirectly wholly-owned subsidiary of Temasek Holdings (Private) Limited, which is in turn wholly owned by the Ministry of Finance, Singapore, an Independent Third Party. The strategy of Palace Investments is to make private equity investments that ride on the growth and transformation of Asia economies, with its investments covering different sectors, in particular the innovative technology and healthcare services.

InnoPharma

InnoPharma was incorporated under the laws of British Virgin Islands on July 2, 2019 as a special purpose vehicle for investing in our Group and was wholly-owned by Trustbridge Partners VI, L.P., a private equity investment fund incorporated in the Cayman Islands, whose investors include world renowned college trust funds and sovereign wealth funds. As of the Latest Practicable Date, each of InnoPharma and King View was ultimately controlled by an investment decision committee composed of six individuals who were Independent Third Parties.

CNCB HK

CNCB HK was incorporated as a private company limited by shares in Hong Kong on March 23, 1973 and is the overseas investment and financing platform of China CITIC Bank Corporation Limited ("**CITIC Bank**") (Stock Code: 998.HK), which is in turn ultimately controlled by CITIC Group (中信集團), a PRC state-owned investment company and an Independent Third Party. CNCB HK and its subsidiaries engage in lending, investment, overseas licensed investment banking business and domestic equity investment fund management business. As of the end of July 2020, CNCB HK has a total asset of USD3 billion.

CNCB SPC

CNCB SPC, acting on behalf of CNCB Investment, was incorporated as an exempted company on November 23, 2017 and registered as a segregated portfolio company under the laws of the Cayman Islands. CNCB SPC is an investment fund with multiple segregated portfolios and its management shares are indirectly wholly-owned by CNCB HK.

Public Float

The Shares directly held by Premier Praise will not be counted towards the public float upon the Listing for the purpose of Rule 8.08 of the Listing Rules, as Premier Praise is a close associate of Mr. Zhao John Huan, our non-executive Director, and therefore is a core connected person of our Company as defined under the Listing Rules.

Save as disclosed above, none of the other Pre-IPO Investors (i) is a core connected person of our Company; (ii) has been financed directly or indirectly by a core connected person of our Company for the subscription of the Shares; or (iii) is accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in its name or otherwise held by it. Therefore, the Shares directly held by the other Pre-IPO Investors (not applicable to InnoPharma as its equity interest in our Company is all indirectly held through FFI) will be counted towards the public float upon the Listing for the purpose of Rule 8.08 of the Listing Rules.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors have confirmed that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on October 13, 2010 and 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.

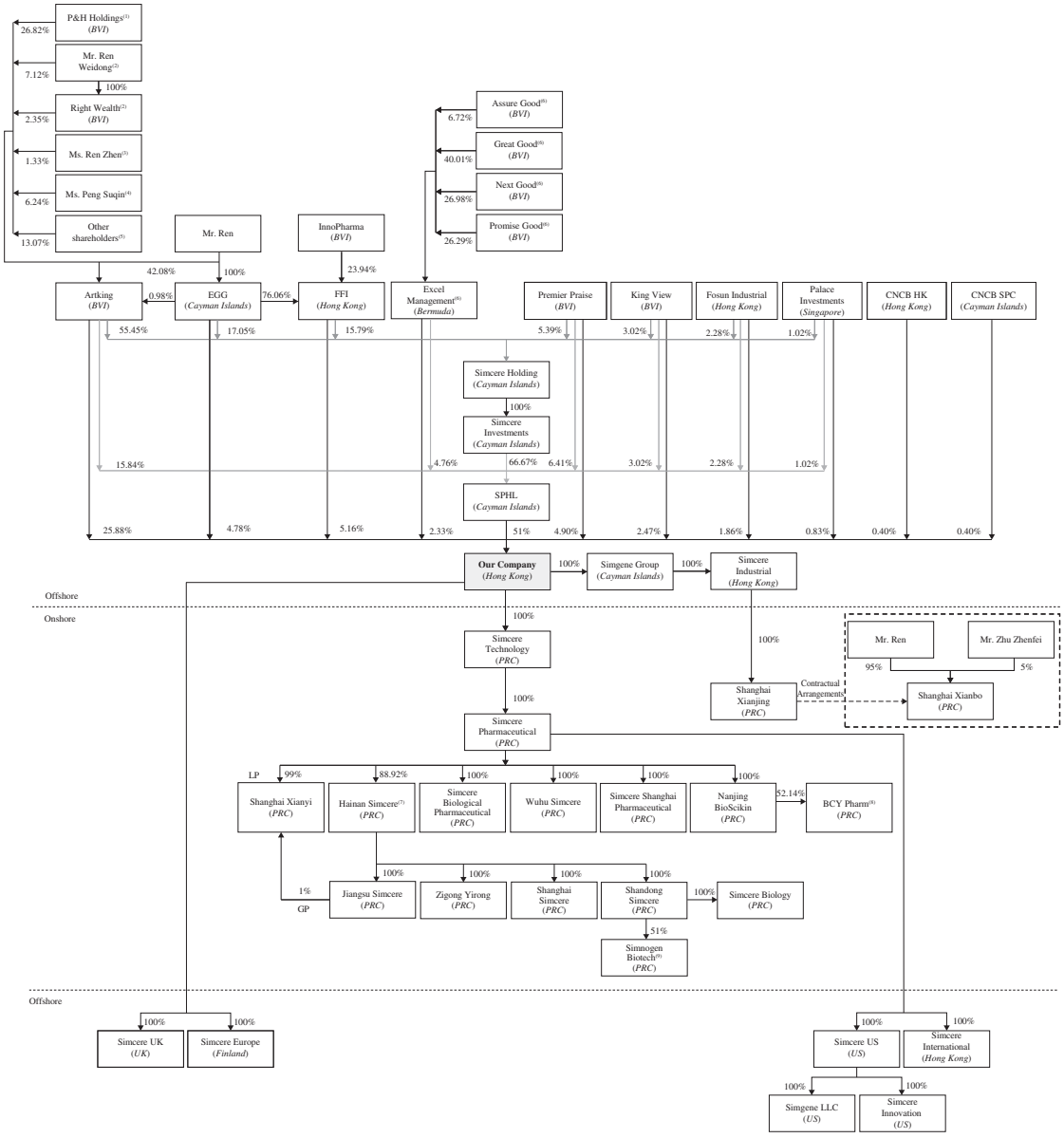
CONVERSION INTO A PUBLIC COMPANY

Our Company was converted into a public company with limited liability with effect from the date of the Hong Kong Underwriting Agreement.

CORPORATE STRUCTURE

Corporate Structure before the Global Offering

The following chart sets forth the shareholding structure of our Group immediately after the Reorganization and before completion of the Global Offering:



Notes:

(1) P&H Holdings was incorporated as a BVI business company in the BVI on December 5, 2018 and is wholly owned by P&H Family Trust. The settlor of the P&H Family Trust is Mr. Ren Yong (son of Mr. Ren), who also serves as one of its protectors together with his spouse, Ms. Li Shimeng.

(2) Right Wealth was incorporated as a BVI business company in the BVI on December 13, 2011 and is wholly owned by Mr. Ren Weidong, brother of Mr. Ren.

(3) Ms. Ren Zhen is the sister of Mr. Ren.

(4) Ms. Peng Suqin is the mother of Mr. Ren Yong.

(5) Other shareholders include former and current employees of our Group and an Independent Third Party.

(6) Each of Excel Management, Assure Good, Great Good, Next Good and Promise Good is an employee incentive platform for the purpose of the Pre-IPO Share Incentive Scheme.

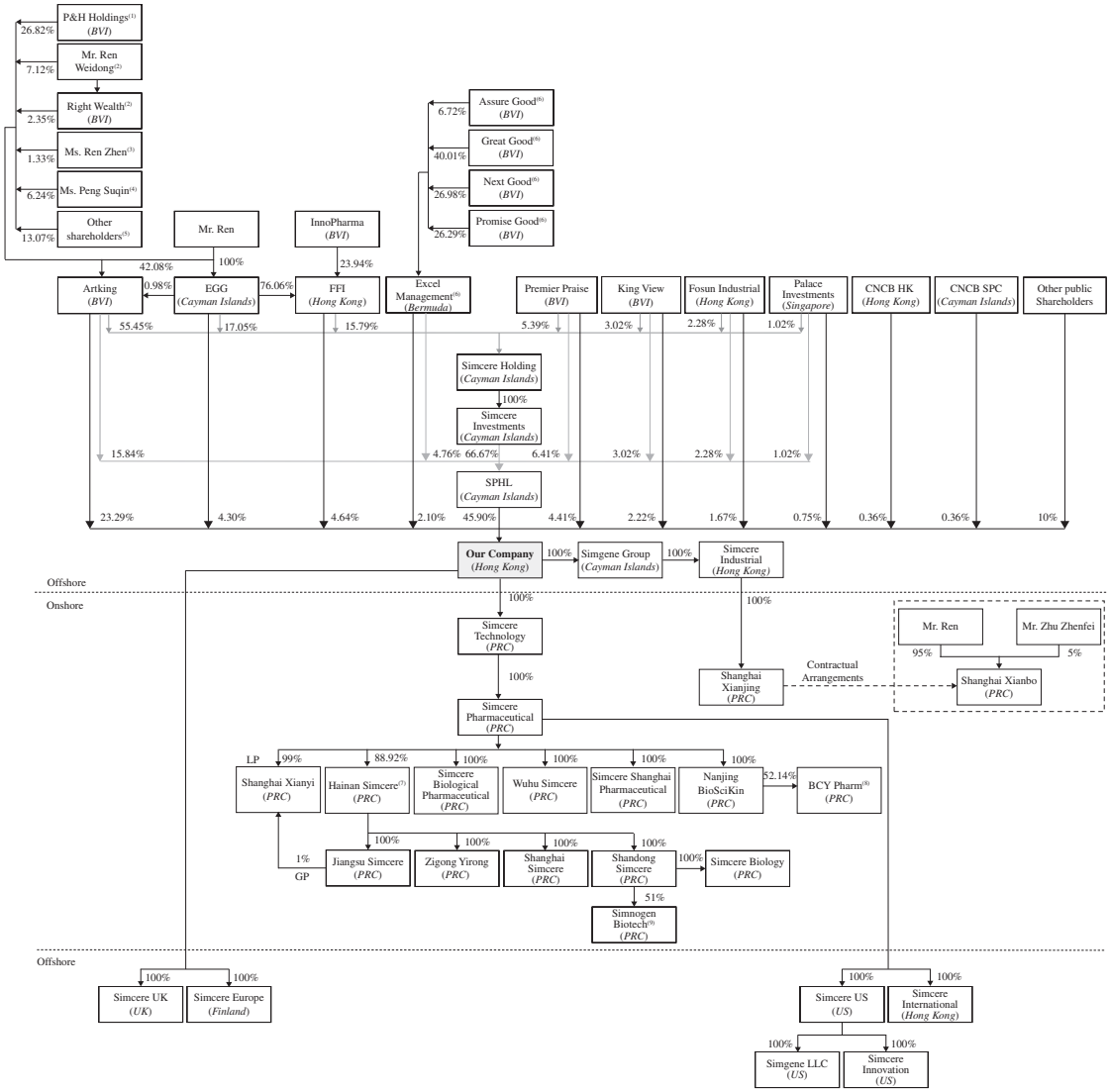
(7) The remaining 11.08% equity interest in Hainan Simcere is held by CDB Development Fund, but the attributable equity interest of Hainan Simcere is regarded as being held by our Company as to 100% as the investment in Hainan Simcere by CDB Development Fund is recognized as a borrowing in our financial statements.

(8) The remaining 47.86% equity interest in BCY Pharm is held by six individuals and two legal entities established in the PRC, all of which are Independent Third Parties.

(9) The remaining 49% equity interest in Simnogen Biotech is held by Genexine Co., Ltd, an Independent Third Party, but the financial statements of Simnogen Biotech are not consolidated into that of our Group as our Group does not control its board.

Corporate Structure immediately following the Global Offering

The following charts set forth the shareholding structure of our Group immediately after the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1)-(9) Please refer to corresponding notes on pages 249 and 250.

PRC REGULATORY REQUIREMENTS

The Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

Pursuant to the M&A Rules, (i) where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM; and (ii) 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 interest in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that the prior CSRC and MOFCOM approvals under the M&A Rules is not required as Shandong Simcere is already a sino-foreign joint venture since its establishment in 1996 and did not become a non-foreign invested enterprise through merger or acquisition under the M&A Rules, and both Hainan Simcere and Simcere Pharmaceutical had been converted into a foreign investment enterprise prior to the implementation of the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and whether the MOFCOM and other related government authorities would promulgate future PRC laws, regulations or rules contrary to the M&A Rules.

SAFE Registration in the PRC

Pursuant to the SAFE Circular 75, a PRC resident (whether a natural person or a legal person) is required to register with the local counterpart of the SAFE before it establishes or controls an offshore SPV, with assets or equity interest in a PRC company, for the purpose of overseas equity financing. Pursuant to the SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interest to an Overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the SAFE Circular 13, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, the relevant individuals have duly completed the relevant initial registrations in accordance with the SAFE Circular 75, SAFE Circular 37 and SAFE Circular 13 in 2014, 2019 and 2020 accordingly.

OVERVIEW

Foreign investment activities in the PRC now are mainly governed by the Encouraging List 2019 and the Negative List 2020 (the "**Relevant PRC Regulations**"), promulgated jointly by the MOFCOM and the NDRC, pursuant to which the industries listed therein are divided into three categories in terms of foreign investment, namely, "encouraged," "permitted," and "prohibited." According to the Relevant PRC Regulations, foreign investment is prohibited in the development and application of gene diagnostic and therapeutic technologies.

Our Group engages in the R&D of CAR T-cell therapy and TCR T-cell therapy (the "**Relevant Businesses**"), which involve the development and application of gene diagnostic and therapeutic technologies, and therefore fall into the scope of the "prohibited" category. The Relevant Businesses are carried out by Shanghai Xianbo, and thus, we cannot directly or indirectly hold any equity interest in Shanghai Xianbo.

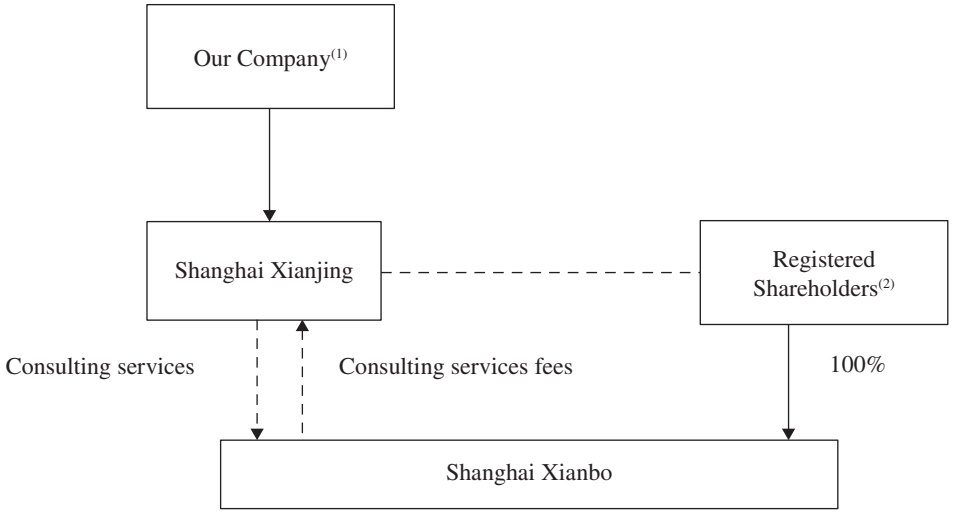
In order to comply with the PRC laws and regulations and maintain effective control over the Relevant Businesses, we, through our wholly-owned subsidiary, Shanghai Xianjing, entered into the Contractual Arrangements with Shanghai Xianbo, our Consolidated Affiliated Entity, and its Registered Shareholders (as defined below), pursuant to which Shanghai Xianjing acquired effective control over the financial and operational policies of Shanghai Xianbo and has become entitled to all the economic benefits derived from its operations. In light of the foregoing reasons, we believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in the field that are subject to foreign investment restrictions in the PRC.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Shanghai Xianjing, Shanghai Xianbo, and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement dated April 30, 2020 with Shanghai Xianjing, Shanghai Xianbo will enjoy better economic and technical support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

We will unwind and terminate the Contractual Arrangements wholly or partially once Relevant Businesses are no longer prohibited or restricted from foreign investment. We will directly hold the maximum percentage of ownership interests permissible under the relevant PRC laws and regulations if such businesses are allowed to be conducted by sino-foreign equity joint ventures or wholly-owned foreign investment entities under the relevant PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from Shanghai Xianbo to our Group stipulated under the Contractual Arrangements:



Notes:

"→" denotes directly or indirectly legal and beneficial ownership in the equity interest.

"– →"denotes contractual relationship through the Exclusive Business Cooperation Agreement.

"– –" denotes the control by Shanghai Xianjing over Shanghai Xianbo through (i) powers of attorney to exercise all shareholders' rights in Shanghai Xianbo; (ii) exclusive options to acquire all or part of the equity interest and/or assets in Shanghai Xianbo; and (iii) equity pledges over the equity interest in Shanghai Xianbo.

(1) As of the Latest Practicable Date, Shanghai Xianjing was wholly owned by Simcere Industrial which was in turn wholly owned by Simgene Group. Simgene Group was a directly wholly-owned subsidiary of our Company.

(2) As of the Latest Practicable Date, Shanghai Xianbo was held as to 95% by Mr. Ren and as to 5% by Mr. Zhu Zhenfei (朱振飛) (collectively, the "**Registered Shareholders**"). Mr. Zhu Zhenfei has approximately 12 years of working experience with our Group and is currently the head of our Group's legal department. He also serves as a supervisor of various subsidiaries of our Group, including but not limited to Jiangsu Simcere, Hainan Simcere, Simcere Pharmaceutical and Shandong Simcere. Mr. Zhu is also a director of Excel Management, one of our Shareholders, and a supervisor at several companies established in the PRC which are close associates of Mr. Ren. Save as disclosed above, Mr. Zhu does not have any other past or present relationships (whether business, employment, family, trust, financing or otherwise) with any member of our Group, their shareholders, directors, senior management or any of their respective associates.

Exclusive Business Cooperation Agreement

Shanghai Xianbo and Shanghai Xianjing entered into the exclusive business cooperation agreement on April 30, 2020 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Shanghai Xianbo agreed to engage Shanghai Xianjing as its exclusive provider of technical support, consultation, and other services, including (1) management consultation, (2) technical consultation, (3) technical service, (4) network support, (5) business support, (6) human resource support, (7) license and authorization of the use of intellectual properties, (8)

rental of equipment and office properties, (9) market consultation, (10) research and development of products, (11) management consultant service in relation to the business operation of the Shanghai Xianbo and (12) other relevant services requested by Shanghai Xianbo from time to time to the extent permitted under PRC laws.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee is equivalent to the total consolidated net profit of Shanghai Xianbo, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Shanghai Xianjing is entitled to adjust the level of the service fee at its sole discretion taking into account certain factors, including, among other things, difficulty and complication of such services, time commitment to such services, actual service scope and business value and the market price of the same or similar services. Shanghai Xianbo has agreed to pay the service fees to the bank account designated by Shanghai Xianjing within five business days after Shanghai Xianjing issues the payment notice. In addition, pursuant to the Exclusive Business Cooperation Agreement, as to the services provided by the third parties to Shanghai Xianbo identical or similar to the contemplated services before the date of the Exclusive Business Cooperation Agreement, Shanghai Xianbo shall immediately terminate the relevant agreements except for the prior written consent given by Shanghai Xianjing and assume any charges or liabilities due to such termination.

The Exclusive Business Cooperation Agreement also provides that Shanghai Xianjing has the exclusive proprietary rights and interests in any and all intellectual property rights developed or created by Shanghai Xianbo or Shanghai Xianjing during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement has an indefinite term commencing from the date of the agreement. The Exclusive Business Cooperation Agreement may be terminated by Shanghai Xianjing without being liable for any defaults for unilaterally termination (i) by giving Shanghai Xianbo a 30 days' prior written notice of termination; (ii) upon the transfer of the entire equity interest in and the transfer of all assets of Shanghai Xianbo to Shanghai Xianjing or its designee(s) pursuant to the Exclusive Option Agreement; (iii) the event of the bankruptcy, liquidation, termination, or dissolution of Shanghai Xianbo occurs during the term of the Exclusive Business Cooperation Agreement, at the date of such bankruptcy, liquidation, termination, or dissolution occurs; (iv) when it is legally permissible for Shanghai Xianjing to hold equity interest directly or indirectly in Shanghai Xianbo and Shanghai Xianjing or its designee(s) is registered to be the shareholder of Shanghai Xianbo; or (v) upon the occurrence of the default of event (as defined in the Exclusive Business Cooperation Agreement). Shanghai Xianbo is not contractually entitled to terminate the Exclusive Business Cooperation Agreement.

Entrustment Agreement and Powers of Attorney

Each of Shanghai Xianbo, the Registered Shareholders and Shanghai Xianjing entered into the shareholder's rights entrustment agreements (the "**Entrustment Agreement**") on April 30, 2020, pursuant to which, each Registered Shareholder, through the power of attorney ("**Power of Attorney**"), irrevocably and exclusively grant Shanghai Xianjing or its designee(s) (being the Directors of our Company and their successors and liquidators replacing such Directors but excluding those non-independent or who may give rise to the conflict of interests) the power to exercise all rights of the Registered Shareholders as set out in the then-valid articles of association of Shanghai Xianbo and relevant laws and regulations, including but not limited to the rights:

(i) to convene, participate in shareholders' meeting in the capacity of a proxy of the Registered Shareholder and adopt and execute shareholders' resolutions;

(ii) to exercise all the shareholders' rights pursuant to the relevant PRC laws and regulations and the articles of association of Shanghai Xianbo, including, among others, voting rights, dividend rights, sale, transfer, pledge, or disposal of all or part of the equity interest of Shanghai Xianbo and director appointment rights;

(iii) to designate the person recognized by Shanghai Xianjing as the legal representative, chairman of the board, directors or managers of Shanghai Xianbo, or, on behalf of the Registered Shareholders, to designate, appoint or remove the legal representative, chairman of the board, directors, chief executive director (or managers), supervisors and other senior officers of Shanghai Xianbo pursuant to the articles of association of Shanghai Xianbo; to raise lawsuits or other legal proceedings against the directors and senior officers of Shanghai Xianbo when their behaviors harm the interest of its shareholders; and to instruct the directors and senior officers to act in accordance with our intention;

(iv) to sign or submit any required document (including the resolutions or minutes of the shareholders' meeting) to any company registry or other authorities in the capacity of proxy;

(v) to exercise the voting rights as the proxy of the Registered Shareholders in relation to the liquidation, bankruptcy, dissolution or termination matters with regard to Shanghai Xianbo;

(vi) to decide the matters relating to the submission or registration of Shanghai Xianbo's documents to the governmental authorities;

(vii) to deal with any asset of Shanghai Xianbo including but not limited to managing its business and accessing and acquiring its revenue and assets; and

(viii) any other shareholders' rights as set out in the articles of association of Shanghai Xianbo (as amended from time to time) and applicable PRC laws.

The Entrustment Agreement has an indefinite term and will be terminated in the event that (i) the Entrustment Agreement is unilaterally terminated by Shanghai Xianjing; or (ii) it is legally permissible for Shanghai Xianjing or its offshore holding companies to hold equity interest directly or indirectly in Shanghai Xianbo and Shanghai Xianjing or its designee(s) is registered to be the shareholder of Shanghai Xianbo.

The Registered Shareholders undertake that the authorization under the Entrustment Agreement will not lead to any actual or potential conflict of interest with Shanghai Xianjing and/or its designee(s). If there is any conflict of interest (subject to the sole discretion of Shanghai Xianjing) with Shanghai Xianjing and other members of our Group, the Registered Shareholders shall prioritize to protect and will hold harmless of Shanghai Xianjing or any member of our Group and eliminate such conflict as soon as possible. Where the Registered Shareholders are the Directors or senior management of our Company, the rights in relation to the Entrustment Agreement will be granted to the Directors or senior management of our Company who are not the Registered shareholders. The Registered Shareholders shall not take or omit to take any actions which may lead to a conflict of interest with Shanghai Xianjing or its shareholders, nor the Registered Shareholders shall execute any agreement or make any undertaking therein which has the conflict of interest with any agreement signed or being preformed between Shanghai Xianbo, Shanghai Xianjing or its designee(s). In the event that the Registered Shareholders refuse to take any action to eliminate the conflict of interest, Shanghai Xianjing shall be entitled to exercise the Exclusive Option Rights.

Exclusive Option Agreement

Shanghai Xianjing, Shanghai Xianbo and the Registered Shareholders entered into the exclusive option agreement (the "**Exclusive Option Agreement**") on April 30, 2020, pursuant to which the Registered Shareholders jointly and severally granted Shanghai Xianjing the irrevocable and exclusive rights (the "**Exclusive Option Rights**"), provided that it is permitted under the PRC laws and regulations, to acquire the equity interest of Shanghai Xianbo from the Registered Shareholders or to acquire the assets of Shanghai Xianbo by Shanghai Xianjing or its designee(s), in whole or in part at any time and from time to time, for free or at a nominal price or the lowest price legally permissible under the PRC laws and regulations. Upon the equity interest or assets being duly transferred to Shanghai Xianjing or its designee(s) and after deducting necessary tax expenses, Shanghai Xianjing or its designee(s) shall pay the consideration within seven days to the designated bank accounts of the Registered Shareholders or Shanghai Xianbo. Shanghai Xianbo and the Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to Shanghai Xianjing or its designee(s) any consideration they received within seven days in the event that Shanghai Xianjing exercises the Exclusive Option Rights to acquire the equity interest and/or assets in Shanghai Xianbo. If such return is not permissible under the PRC laws, the returned consideration shall be escrowed by Shanghai Xianjing and the Registered Shareholders and Shanghai Xianbo shall execute all escrow agreements or other documents in favor of Shanghai Xianjing.

Pursuant to the Exclusive Option Agreement, Shanghai Xianbo and the Registered Shareholders, separately and jointly, covenant and warrant, among other things, that:

(i) without the prior consent of Shanghai Xianjing, they shall not supplement, change, or amend the articles of association of Shanghai Xianbo, or increase or reduce the registered capital of Shanghai Xianbo, or otherwise change the structure of the registered capital of Shanghai Xianbo, and they shall not divide, dissolve or change the corporate form of Shanghai Xianbo;

(ii) they shall maintain the good standing of Shanghai Xianbo, operate its business and deal with its affairs prudently and effectively in accordance with the good financial and business standards and practices, and they shall prompt Shanghai Xianbo to perform its obligations under the Exclusive Business Cooperation Agreement;

(iii) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not sell, transfer, pledge or otherwise dispose of any assets (including tangible and intangible assets), businesses or incomes with an amount of exceeding RMB500,000, or allow to place encumbrances on its assets;

(iv) without written consent of Shanghai Xianjing, Shanghai Xianbo shall not be dissolved or liquidated, unless otherwise mandatorily required by the PRC laws, upon the occurrence of the statutory liquidation events. The Registered Shareholders irrevocably covenant that they shall pay or cause to pay Shanghai Xianjing or its designee(s) in full any remaining residual value received on a unilateral basis, subject to the then provisions and requirements of the PRC laws. If such payment is prohibited by the PRC laws, the amount shall be escrowed by Shanghai Xianjing and the Registered Shareholders shall execute all escrow agreements or other documents in favor of Shanghai Xianjing;

(v) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not incur, inherit, guarantee or assume any debt, unless (i) the debts incurred in the normal or ordinary course of business other than payables incurred by a loan; or (ii) the debts have been disclosed to and consented in writing by Shanghai Xianjing;

(vi) Shanghai Xianbo shall operate Shanghai Xianbo in the ordinary course of business so as to maintain Shanghai Xianbo's asset value, and shall not take or omit to take any actions which may adversely affect the operational situation or asset value of Shanghai Xianbo. The board of directors of Shanghai Xianjing is entitled to oversee Shanghai Xianbo's assets and to evaluate whether Shanghai Xianjing has the controlling interest over Shanghai Xianbo's assets. In the event that the board of directors of Shanghai Xianjing deems that its controlling interest over Shanghai Xianbo's assets or the asset value of Shanghai Xianbo has been affected by the operating activities of Shanghai Xianbo, the board of directors of Shanghai Xianjing is entitled to engage legal advisors or other professionals to handle such matters;

(vii) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not enter into any material contracts with the amount exceeding RMB500,000 other than in the ordinary course of business or with our Company, our subsidiaries or any other members of our Group;

(viii) without the prior consent of Shanghai Xianjing, Shanghai Xianbo shall not provide anyone with any loan, financial assistance, mortgage, pledge or any other form of security or to allow a third party to mortgage or pledge its assets or equity interest;

(ix) within 10 days after the end of each quarter or upon request by Shanghai Xianjing, they shall provide Shanghai Xianjing with all information regarding the operation and financial status of Shanghai Xianbo;

(x) Shanghai Xianbo shall purchase and maintain insurance over the assets and business of Shanghai Xianbo from an insurance carrier acceptable to Shanghai Xianjing, at an amount and type of coverage typical for companies carrying on similar businesses or owning similar property or assets in PRC;

(xi) without the prior written consent of Shanghai Xianjing, Shanghai Xianbo shall not merger, form a partnership, establish a joint venture or combine with anyone, or acquire or invest in any entities;

(xii) Shanghai Xianbo shall immediately inform Shanghai Xianjing if assets, business or income of Shanghai Xianbo involve in any disputes, litigations, arbitrations or administrative proceedings, and shall take all necessary measures in accordance with Shanghai Xianjing's reasonable request. Such proceedings may only be settled upon prior written consent of Shanghai Xianjing;

(xiii) Shanghai Xianbo shall sign all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate claims or raise necessary and appropriate defenses against all claims to maintain the ownership of its assets;

(xiv) without the prior written consent of Shanghai Xianjing, they shall not distribute any dividend to the Registered Shareholders. However, upon request of Shanghai Xianjing, Shanghai Xianbo shall immediately distribute all distributable profits to the Registered Shareholders, and each Registered Shareholder shall transfer all dividends received to Shanghai Xianjing or its designee(s) to the extent permissible under the PRC laws;

(xv) at the request of Shanghai Xianjing, they shall appoint any persons designated by Shanghai Xianjing as the directors, supervisors and/or senior management of Shanghai Xianbo or remove the directors, supervisors and/or senior management of Shanghai Xianbo then in office without any delay and shall complete all resolution and filing procedures;

(xvi) in the event that Shanghai Xianbo or any of its Registered Shareholders fails to fulfill his tax obligations under applicable laws, leading to an impediment on the exercise of the Exclusive Option Rights by Shanghai Xianjing, Shanghai Xianjing has the right to request Shanghai Xianbo or its shareholders to fulfill such tax obligation, or request Shanghai Xianbo to pay such tax amount to Shanghai Xianjing and Shanghai Xianjing shall pay such tax on behalf of Shanghai Xianbo;

(xvii) subject to the compliance with the then applicable PRC laws, they will return to Shanghai Xianjing or its designee(s) any consideration they received after deducting necessary tax expenses within seven days in the event that Shanghai Xianjing exercises the Exclusive Option Rights to acquire the equity interest and/or assets in Shanghai Xianbo. If such return is not permissible under the PRC laws, the returned consideration shall be escrowed by Shanghai Xianjing and the Registered Shareholders and Shanghai Xianbo shall execute all escrow agreements or other documents in favor of Shanghai Xianjing; and

(xviii) they shall cause the subsidiaries subsequently established, acquired or actually controlled by Shanghai Xianbo to exercise rights, comply with covenants of Shanghai Xianbo and perform obligations equivalent to those of Shanghai Xianbo in accordance with the Exclusive Option Agreement, to the extent applicable.

Pursuant to the Exclusive Option Agreement, the Registered Shareholders irrevocably covenant and warrant that they shall, among other things:

(i) without the prior written consent of Shanghai Xianjing, at any time from the date of the Exclusive Option Agreement, not sell, transfer, pledge, or otherwise dispose of, or allow any encumbrance to be placed on the legitimate or beneficial interest of any equity interest of Shanghai Xianbo held by them, except for the pledge set on the equity interest of Shanghai Xianbo in accordance with the Equity Pledge Agreement (defined as below);

(ii) not conduct operating or any other activities that may adversely affect the reputation of Shanghai Xianbo;

(iii) take all measures to ensure the legality and effectiveness of all operating licenses of Shanghai Xianbo and renew such licenses on time;

(iv) not enter into any agreement or make any undertaking that has the conflict of interests with any ongoing legal documents executed by, and under during the performance of, Shanghai Xianbo, Shanghai Xianjing, or their designees; and not cause any conflict of interests between the Registered Shareholders, and Shanghai Xianjing and its shareholders by acts or omissions. In the event of the occurrence of such conflict (subject to Shanghai Xianjing's sole discretion), the Registered Shareholders shall take measures as soon as possible to eliminate such conflict with the prior consent of Shanghai Xianjing or its designees. Shanghai Xianjing may exercise the Exclusive Option Rights if the Registered Shareholders refuse to take such measures;

(v) without the written consent of Shanghai Xianjing, not directly or indirectly engage or be engaged in any business that competes or may compete with the business of Shanghai Xianjing and Shanghai Xianbo in any manner, or be employed by relevant entities operating or hold interests in or assets of such entities that compete or may compete with the business of Shanghai Xianjing and Shanghai Xianbo (other than holding the equity interest no more than 5% in the company that competes or may compete with Shanghai Xianjing and Shanghai Xianbo). Shanghai Xianjing is entitled to make the final decision on whether such competition exists or may exist;

(vi) not (i) distribute dividends or profits in other manner, arising from any equity interest held by the Registered Shareholders, (ii) propose any such matters to be resolved on shareholders' meeting; or (iii) vote in favor of any resolution on shareholders' meeting. If the Registered Shareholders received such dividends for any reason, they shall gift all such dividends acquired from Shanghai Xianbo to Shanghai Xianjing or its designees after deduction of the relevant tax (if any) to the extent permitted under the PRC laws;

(vii) cause the meetings of the shareholders and/or the board/executive director not to approve to sell, transfer, pledge, or otherwise dispose of the legitimate or beneficial interest of any equity interest of Shanghai Xianbo or to allow any encumbrance (except the encumbrance made to Shanghai Xianjing or its designee(s) in accordance with the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney) to be placed on it, without prior written consent of Shanghai Xianjing;

(viii) cause the meetings of the shareholders and/or the director/executive director not to approve the merger, partnership, joint venture or combination of Shanghai Xianbo with any person, or the acquisition of or investing in any person, or division of Shanghai Xianbo, the amendment of the articles of association of Shanghai Xianbo, changing the registered capital or changing the corporate form of Shanghai Xianbo, without the prior written consent of Shanghai Xianjing;

(ix) immediately notify Shanghai Xianjing of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to equity interest of Shanghai Xianbo, take all necessary measures in accordance with the reasonable request of Shanghai Xianjing, and not settle such proceedings without prior written consent of Shanghai Xianjing;

(x) cause the meetings of the shareholders or the directors/executive directors of Shanghai Xianbo to vote on the approval of the transfer of equity interest in Shanghai Xianbo and any other action requested by Shanghai Xianjing pursuant to the Exclusive Option Agreement;

(xi) upon request by Shanghai Xianjing at any time, Shanghai Xianbo and/or its Registered Shareholders shall promptly and unconditionally transfer their equity interest in and/or assets of Shanghai Xianbo to Shanghai Xianjing or its designee(s) upon the exercise of the Exclusive Option Rights, and each of the Registered Shareholders waives the right of first refusal, if any, with respect to the equity transfer by other Registered Shareholders of Shanghai Xianbo;

(xii) strictly comply with the provision of the Exclusive Option Agreement and any other agreements (including but not limited to the Exclusive Business Cooperation Agreement and the Equity Pledge Agreement) entered into between Shanghai Xianjing and Shanghai Xianbo, guarantee the performance of the obligation under the above agreements, and not carry out any actions or omissions which may affect the effectiveness and enforceability of the above agreements. If the Registered Shareholders possess any remaining rights to the equity interest under the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, they shall not exercise such rights unless at the written instruction of Shanghai Xianjing;

(xiii) promptly deliver the distribution of remaining property (after deduction of the relevant tax) received from the holding of the equity interest in Shanghai Xianbo to Shanghai Xianjing (or its designee(s)) for free, in which case the Registered Shareholders shall not claim any rights with respect to the distribution of the remaining property (except as directed by Shanghai Xianjing), if Shanghai Xianjing (or its designee(s)) has paid the equity purchase price to the Registered Shareholders before the dissolution of Shanghai Xianbo but the relevant filing procedures have not been completed, at or after the dissolution of Shanghai Xianbo;

(xiv) promptly perform its tax obligations pursuant to the appropriate laws to ensure Shanghai Xianjing's smooth exercise of the Exclusive Option Rights;

(xv) execute an irrevocable Power of Attorney to the extent satisfactory to Shanghai Xianjing, grant all rights to Shanghai Xianjing or its designee(s) to exercise all of his rights as a shareholder of Shanghai Xianbo; and

(xvi) ensure that Shanghai Xianbo validly exists and will not be terminated, liquidated or dissolved.

The Registered Shareholders and Shanghai Xianbo shall procure the subsidiaries of Shanghai Xianbo subsequently established, acquired or actually controlled by them to comply with the above undertakings as if they were parties to the Exclusive Option Agreement. The Exclusive Option Agreement is for an indefinite term of commencing on the date of the agreement, until it is terminated (1) by Shanghai Xianjing through giving Shanghai Xianbo and the Registered Shareholders a prior written notice of termination; or (2) upon the transfer of the entire equity interest held by the Registered Shareholders and/or the transfer of all the assets of Shanghai Xianbo to Shanghai Xianjing or its designated person. Neither Shanghai Xianbo nor the Registered Shareholders is contractually entitled to terminate the Exclusive Option Agreement with Shanghai Xianjing.

Equity Pledge Agreement

Shanghai Xianjing, Shanghai Xianbo and the Registered Shareholders entered into the equity pledge agreement (the "**Equity Pledge Agreement**") on April 30, 2020, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interest in Shanghai Xianbo to Shanghai Xianjing as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Pledge Agreement, the Registered Shareholders confirm and agree that, in the event of bankruptcy, reorganization, merger, or any change in the equity interest of Shanghai Xianbo, the Registered Shareholders will procure any successors of the Registered Shareholders to comply with the same undertakings as if they were parties to the Equity Pledge Agreement. If Shanghai Xianbo declares any dividend during the term of the pledge, Shanghai Xianjing is entitled to receive all such dividends, bonus or other income for free arising from the pledged equity interest, if any. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders has undertaken to Shanghai Xianjing, among other things, not to transfer the interest in his equity interest in Shanghai Xianbo without the prior written consent of Shanghai Xianjing.

The equity pledge takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until (1) each of the Registered Shareholders has transferred all his equity interest and assets of Shanghai Xianbo in accordance with the Exclusive Option Agreement; (2) the Equity Pledge Agreement has been unilaterally terminated by Shanghai Xianjing; or (3) the performance of the Equity Pledge Agreement will violate applicable laws and regulations and Listing Rules of the Stock Exchange. The registration of the Equity Pledge Agreement as required by the relevant laws and regulations has been completed in accordance with the terms of the Equity Pledge Agreement and the PRC laws and regulations.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), Shanghai Xianjing shall have the right to exercise all such rights as a secured party under any applicable PRC laws and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interest based on the monetary valuation that such equity interest are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders.

Spouse Undertakings

The spouse of each of the Registered Shareholders has executed a written consent to the effect that (1) she acknowledges and consents that the respective Registered Shareholder enters into the Contractual Arrangements and the amendments and termination of the Contractual Arrangements do not require her further authorization or consents under the Contractual Arrangements; (2) she confirms that the equity interest of Shanghai Xianbo held by each of the Registered Shareholders do not fall within the scope of communal properties and she has no interest (including the interest obtained through the Contractual Arrangements) in the equity interest of Shanghai Xianbo; (3) she will not take any actions for the purpose of intervention of the Contractual Arrangements, including without limitations, not to claim any right over the equity interest or assets of Shanghai Xianbo or the interest obtained through the Contractual Arrangements; (4) she was not and will not be involved in the operation and management of Shanghai Xianbo; and (5) she will execute all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements as amended from time to time.

Dispute Resolution

In the event of any dispute with respect to the construction and performance of the provisions, each of the Contractual Arrangements stipulates that:

(i) the parties shall negotiate in good faith to resolve the dispute;

(ii) in the event the parties fail to settle the dispute within 30 days of a negotiation request, any party may submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (上海國際經濟貿易仲裁委員會(上海國際仲裁中心)), in accordance with the then effective arbitration rules of the arbitration commission. The arbitration shall be conducted in Shanghai. The arbitration ruling shall be final and binding on all parties;

(iii) the arbitral tribunal may award remedies over the equity interest and property interest and other assets of Shanghai Xianbo, injunctive relief or order the winding up of Shanghai Xianbo; and

(iv) upon the request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of arbitration pending the formation of the arbitral tribunal or in appropriate cases. The courts of Hong Kong, the Cayman Islands and other courts with jurisdiction, including but not limited to the place where Shanghai Xianbo established or the place where the principal assets of Shanghai Xianjing and Shanghai Xianbo are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisers that:

(i) a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shanghai Xianbo pursuant to current PRC laws;

(ii) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong may not be recognizable or enforceable in the PRC; and

(iii) any arbitration awards or interim remedies made by the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (上海國際經濟貿易仲裁委員會(上海國際仲裁中心)) in accordance with dispute restitution provisions set out in each of the Contractual Arrangements are subject to applications to the competent PRC courts for compulsory enforcement.

As a result of the above, in the event that Shanghai Xianbo or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shanghai Xianbo and conduct our business could be materially and adversely affected. For details, please see "Risk Factors – Risks Relating to the Contractual Arrangements."

Succession

Pursuant to the Contractual Arrangements, the Registered Shareholders undertake to Shanghai Xianjing that, in the event of death, loss of or restriction on capacity, divorce or other circumstances regarding the Registered Shareholders which may affect the exercise of his direct equity interest in Shanghai Xianbo, the Registered Shareholder's respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly, will be deemed as a signing party to the Contractual Arrangements and be obliged to the rights and liabilities under the Contractual Arrangements.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation of Shanghai Xianbo required by the PRC laws, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to Shanghai Xianjing or its designee(s) to the extent permitted by the PRC laws.

Conflicts of Interests

Each of the Registered Shareholders has given their irrevocable undertakings in the Entrustment Agreement and Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, please see "– Entrustment Agreement and Powers of Attorney."

Loss Sharing

In the event that Shanghai Xianbo incurs any loss or encounters any operational crisis, Shanghai Xianjing may provide financial support to Shanghai Xianbo when deemed necessary.

None of the agreements constituting the Contractual Arrangements provide that our Company or Shanghai Xianjing, is obligated to share the losses of Shanghai Xianbo or provide financial support to Shanghai Xianbo. Further, Shanghai Xianbo is a company with limited liabilities and shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Shanghai Xianjing, is not legally required to share the losses of Shanghai Xianbo or provide financial support to Shanghai Xianbo. Despite the foregoing, given that our Group conducts the Relevant Businesses in the PRC through Shanghai Xianbo, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if Shanghai Xianbo suffers losses.

Insurance

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entity under the Contractual Arrangements.

EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over Shanghai Xianbo, and is narrowly tailored to achieve our business purposes and to protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us, Shanghai Xianbo and the Registered Shareholders on the following basis:

(i) the arrangement under the Exclusive Business Cooperation Agreement will ensure that all economic benefits generated from the operations of Shanghai Xianbo will flow to Shanghai Xianjing whilst ensuring compliance with applicable PRC laws and regulations and allowing Shanghai Xianbo to continue to maintain and renew the relevant operating licenses and permits as required by relevant PRC government authorities and to operate such Relevant Businesses which are prohibited to be

conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Group as a whole. The delineation of the assets and staffing between Shanghai Xianjing, which shall be responsible for driving key business decision-making process and provide overall business advice and consulting services, and Shanghai Xianbo, which shall be responsible for the operations of the Relevant Businesses and the holding of relevant intellectual properties in compliance with relevant PRC laws and regulations and relevant licenses granted to Shanghai Xianbo, would allow a proper discharge of the respective responsibilities of Shanghai Xianjing and Shanghai Xianbo under the Contractual Arrangements and also ensure sound and effective operation of our Relevant Businesses in compliance with the Contractual Arrangements and applicable laws and regulations;

(ii) under the Exclusive Option Agreement, the Registered Shareholders have granted Shanghai Xianjing irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interest or assets of Shanghai Xianbo. For details, please see "– Contractual Arrangements – Exclusive Option Agreement." These provisions enable Shanghai Xianjing or its designee(s) to act as the shareholder(s) of its choice to take over the equity interest in Shanghai Xianbo at any time and thereby ensuring that our Group will continue to maintain our interest in Shanghai Xianbo upon the exercise of the right pursuant to the Exclusive Option Agreement;

(iii) under the Equity Pledge Agreement, the Registered Shareholders have pledged all of their respective equity interest in Shanghai Xianbo to Shanghai Xianjing and completed the registration of the Equity Pledge Agreement with the local administration bureau on June 23, 2020. The registered pledges effectively prevent the Registered Shareholders from impeding Shanghai Xianjing's control over Shanghai Xianbo by transferring their equity interest in Shanghai Xianbo to bona fide third parties without Shanghai Xianjing's knowledge or approval;

(iv) under the Entrustment Agreement and Powers of Attorney, the Registered Shareholders unconditionally and irrevocably appoint Shanghai Xianjing or its designee(s) the power to exercise all the rights that they have as the shareholders of Shanghai Xianbo. These provisions provide Shanghai Xianjing with the powers to determine or change the composition of the board of directors and management team of Shanghai Xianbo at any time, which in turn provides Shanghai Xianjing with the power to control Shanghai Xianbo without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Shanghai Xianbo on our Company and our legally-owned subsidiaries;

(v) under the Spouse Undertakings, the spouses of each of our Registered Shareholders undertake not to take any actions to prevent the performances under the Contractual Arrangements; and

(vi) we, through Shanghai Xianjing, will only approve and consent to Shanghai Xianbo carrying out such Relevant Businesses, which would otherwise be prohibited to be carried out by foreign invested entities under the Relevant PRC Regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisors and the Joint Sponsors' PRC legal advisors conducted an interview with the officer of Shanghai Medical Products Administration ((上海市藥品監督管理局), the "**SMPA**") on April 21, 2020, who has provided confirmation that (i) the SMPA is the competent government authority for the Relevant Businesses carried out by Shanghai Xianbo; (ii) the business of R&D of the CAR T-cell therapy and TCR T-cell therapy, which involves the development and application of genetic diagnosis and therapeutic technologies; and (iii) the execution and performance of the Contractual Arrangements do not require any approval or authorization by the relevant competent authorities of the pharmaceutical industry under the PRC laws and regulations.

Our PRC Legal Advisors and the Joint Sponsors' PRC legal advisors conducted an interview with the officer of Shanghai Municipal Commission of Commerce ((上海市商務委員會), the "**SMCC**") on April 21, 2020, who has provided confirmation that (i) the SMCC is the competent government authority regulating the foreign investment in Shanghai; (ii) foreign investors are not allowed to directly or indirectly hold any equity interest in a company carrying out the business falling into "prohibited" category within Negative List 2019; and (iii) the execution and performance of the Contractual Arrangements do not require any approval or authorization from the PRC government authorities under the PRC laws and regulations.

Based on the foregoing, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisers are of the view that:

(i) each of Shanghai Xianjing and Shanghai Xianbo is an independent legal entity which is duly established and validly existing under the PRC laws;

(ii) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;

(iii) none of the agreements under the Contractual Arrangements would be deemed as "concealment of illegal intentions with a lawful form" and void under the Contract Law of the People's Republic of China (《中華人民共和國合同法》) (the "**PRC Contract Law**"), or violates any provisions of the articles of association of Shanghai Xianjing or Shanghai Xianbo;

(iv) according to the interviews with relevant competent government authorities, the execution and performance of the Contractual Arrangements do not require any approvals or authorizations from the PRC government authorities; and

(v) the Contractual Arrangements, whether considered separately or taken as a whole, are valid, legally binding and enforceable under the PRC laws, except that:

(a) the exercise of the option by Shanghai Xianjing of its rights under the Exclusive Option Agreement to acquire all or part of the equity interest in Shanghai Xianbo may be subject to the approvals of and/or registrations with the PRC regulatory authorities under the PRC laws and regulations (if applicable) in force then;

(b) the Equity Pledge Agreement shall take effect upon completion of registration with the relevant local administration bureau; and

(c) the Contractual Arrangements provide that the arbitral tribunal may award remedies over the equity interest or assets of Shanghai Xianbo, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Shanghai Xianbo, and that competent courts of the PRC, Hong Kong, the Cayman Islands and other jurisdictions (being the places where the principal assets of Shanghai Xianbo or Shanghai Xianbo are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity interest or property interest of Shanghai Xianbo. However, our PRC Legal Advisors have advised that the interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. For further details, please see "– Contractual Arrangements – Dispute Resolution."

We have been advised by our PRC Legal Advisors, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the above opinion of our PRC Legal Advisors. We have been further advised by our PRC Legal Advisors that if the PRC regulatory authorities find that the Contractual Arrangements do not comply with PRC governmental restrictions on foreign investment in the prohibited businesses, we could be subject to several legal liability as follows and without limitation:

(i) the relevant competent department may order Shanghai Xianjing, Shanghai Xianbo and its Registered Shareholders to cease the Contractual Arrangements;

(ii) Shanghai Xianbo may be ordered to dispose the shares or assets thereof or to take any other necessary measures within a prescribed time limit, and to restore the status before the Contractual Arrangements; and

(iii) the illegal gains (if any) may be confiscated by the relevant competent department.

The above-mentioned legal liability could have a material adverse effect on our ability to conduct our business. For further details, see "Risk Factors – Risks Relating to the Contractual Arrangements."

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Listing, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in "Connected Transactions."

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law (2019)

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020 ("**FIL 2019**"). The FIL 2019 is intended to replace the current foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》). For details of the FIL 2019, see "Regulatory Overview – Laws and Regulations Relating to Foreign Investment in the PRC."

The FIL 2019 stipulates the implementation of the management systems of pre-establishment national treatment and "negative list" for foreign investment. The "negative list," which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the "negative list" which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the "negative list" for any field in the "negative list" which is restricted from foreign investment. Concerning fields not mentioned in the "negative list," management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL 2019 does not contain or quote the stipulation of the "negative list."

The definition of "foreign investors" in FIL 2019 includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of the PRC in accordance with PRC laws but controlled by foreign natural persons or entities.

Moreover, the FIL 2019 does not stipulate that the "foreign investment" as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes "investments through other means stipulated under laws or administrative regulations or by the State Council" without elaboration on "other means."

Impact of FIL 2019 on Contractual Arrangements

Our PRC Legal Advisors are of the view that since contractual arrangements are not specified as "foreign investments" under the FIL 2019 and if there is no applicable law or regulation that explains "other means" of foreign investment under the FIL 2019, or if "other means" of foreign investment are specified under applicable laws or regulations not to include contractual arrangements, it is unlikely that our Contractual Arrangements will be deemed as "foreign investments" under the FIL 2019 and therefore (i) the Contractual Arrangements shall neither be subject to the "negative list" nor be regulated by relevant authorities in accordance with the requirements of the "negative list;" and (ii) the FIL 2019 would not apply to the Contractual Arrangements as it does not substantially change the principle of recognition and treatment of contractual arrangements as compared with the current PRC laws and regulations, and the legality and validity of the Contractual Arrangements would not be affected.

If the operation of our Relevant Businesses is not on the "negative list" and we can legally operate such businesses under PRC laws, Shanghai Xianjing will exercise the option under the Exclusive Option Agreement to acquire the equity interest of Shanghai Xianbo and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the operation of our Relevant Businesses is on the "negative list," unless applicable laws or regulations define contractual arrangements are one of the "other means" of foreign investment, the probability that Contractual Arrangements will be deemed as "foreign investment" under the FIL 2019 and be regulated by relevant authorities in accordance with the requirements of the "negative list," which could result in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the "negative list," is low. In addition, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangements and the enactment of laws and regulations impacting them, and will make decisions according to different situations in practice.

However, there are uncertainties regarding the FIL 2019 including, among others, the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the FIL 2019.

Sustainability of our Relevant Businesses

If any ancillary regulations or implementation rules of the FIL 2019 and the negative list subsequently issued mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL 2019 or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Listing, we fail to comply with the new foreign investment law as finally promulgated, we may be required to dispose of our Relevant Businesses operated through our Consolidated Affiliated Entity under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

In the worst case scenario, if any new foreign investment law subsequently promulgated is refined or deviates from the FIL 2019, resulting in the Contractual Arrangements becoming invalid and illegal, we may not be able to operate the Relevant Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of the Consolidated Affiliated Entity and the financial results of the Consolidated Affiliated Entity may no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL 2019 is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Listing, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL 2019 that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL 2019 or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from PRC legal advisors), as well as its material impact on our business operation and financial position.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Shanghai Xianjing, Shanghai Xianbo will pay services fees to Shanghai Xianjing. The services fees, subject to Shanghai Xianjing's adjustment, are equal to the entirety of the total consolidated profit of Shanghai Xianbo (net of accumulated deficit of the Consolidated Affiliated Entity in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Shanghai Xianjing may adjust the services scopes and fees at its discretion in accordance with the PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entity. Shanghai Xianjing also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entity. Accordingly, Shanghai Xianjing has the ability, at its sole discretion, to extract all of the economic benefit of Shanghai Xianbo through the Exclusive Business Consulting Service Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Shanghai Xianjing has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entity as Shanghai Xianjing's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entity, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of Shanghai Xianbo through Shanghai Xianjing and, at our Company's sole discretion, can receive all of the economic interest returns generated by Shanghai Xianbo. Accordingly, Shanghai Xianbo's results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of Shanghai Xianbo into our Group's financial information as if it was our Company's subsidiary.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;

(iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our status of compliance with the FIL 2019, and (b) the latest regulatory development in relation with the FIL 2019;

(v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, and review the legal compliance of Shanghai Xianjing and Shanghai Xianbo to deal with specific issues or matters arising from the Contractual Arrangements;

(vi) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver, details of which are set out in "Connected Transactions." Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given; and

(vii) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

In addition, notwithstanding that our executive Director, namely Mr. Ren, is also the Registered Shareholder, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing our business independently after the Listing under the following measures:

(i) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(iii) we have appointed three independent non-executive Directors, comprising more than one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(iv) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are a company engaged in the R&D, production and commercialization of pharmaceuticals and currently are primarily focused on generic pharmaceuticals. We have a diversified product portfolio in our strategically focused therapeutic areas, including, (i) oncology (including cell therapy), (ii) central nervous system diseases and (iii) autoimmune diseases. According to Frost & Sullivan, together, these therapeutic areas accounted for 24.7% of the total PRC pharmaceutical market in terms of sales revenue of pharmaceuticals in 2019 and grew faster than the overall PRC pharmaceutical market from 2015 to 2019, a trend which is expected to continue overall in the near future, according to Frost & Sullivan. We were the first pharmaceutical company with both biologics and small molecule drugs in China listed on the NYSE at the time of listing in 2007, and we subsequently privatized our Company in 2013. Please see "History, Reorganization and Corporate Structure – Corporate Development – Prior Listing on the NYSE" for more details.

Our diversified product portfolio centers around 10 major products (including seven generic pharmaceuticals, two category I innovative pharmaceuticals and one new formulation drug) with leading positions in their respective therapeutic segments and/or established track record, sales of which accounted for 85.1%, 83.0%, 81.9% and 78.9% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our major products include:

- Endostar (recombinant human endostatin injection), the first proprietary anti-angiogenic targeted drug in China and the only endostatin approved for sale in China and worldwide, according to Frost & Sullivan. Recombinant human endostatin has been included in the NRDL since 2017 and is recommended as a first-line treatment for advanced non-small-cell lung cancer, or NSCLC, patients by a number of oncology clinical practice guidelines issued by NHC, Chinese Medical Association (中華醫學會) and CSCO. Endostar was developed by Shandong Simcere before it became our subsidiary;

- Bicun (edaravone injection), a synthetic free radical scavenger and the first edaravone injection approved for sale in China and the second edaravone injection approved for sale worldwide, according to Frost & Sullivan. Edaravone has been recommended for the treatment of stroke by a number of clinical practice guidelines issued by Chinese Medical Association, the NHC, China Stroke Association (中國卒中協會), the Japan Stroke Society, the American Heart Association and the American Stroke Association. Bicun was internally developed by us. It was included in the Control List in 2019 and subsequently removed from the latest version of NRDL in 2020;

- Iremod (iguratimod tablets), a small molecule disease-modifying antirheumatic drug, or DMARD, and the first iguratimod pharmaceutical product approved for sale in the world, according to Frost & Sullivan. Iguratimod has been included in the NRDL since 2017 and is recommended as the primary therapy drug for the treatment of active rheumatoid arthritis by a number of clinical practice guidelines and pathways issued by the NHC, Chinese Medical Association, Asia Pacific League of Associations for Rheumatology and the Ministry of Health, Labor and Welfare of Japan. Iremod was developed by us in collaboration with an Independent Third Party, which is a pharmaceutical research institute in China;

- Softan (rosuvastatin calcium tablets), a cholesterol lowering statin. Rosuvastatin has been included in the NRDL since 2009 and is included in a number of clinical practice guidelines in China as a recommended therapy drug for dyslipidemia as well as various clinical practice guidelines in the United States, Canada and the European Union as the first-line treatment for lowering blood cholesterol. Softan was acquired by us from an Independent Third Party, which is a company primarily engaged in the R&D, production and sale of pharmaceuticals in China; and

- Yingtaiqing (diclofenac sodium sustained-release capsules/gel), a non-steroidal anti-inflammatory pharmaceutical. Diclofenac sodium sustained-release capsules have been included in the NRDL since 2004. While the Yingtaiqing-branded sustained-release capsules that we current sell and/or promote are produced by and sourced from CPU Pharma, we have also internally developed Yingtaiqing-branded sustained-release capsules and gel.

The above-mentioned clinical practice guidelines and pathways are authoritative among physicians, according to Frost & Sullivan, although physicians are not mandatorily required to follow them.

Generic pharmaceuticals contributed a substantial portion of our revenue during the Track Record Period. Among our major products, Bicun, Yingtaiqing, Newanti and Jepaso are first-to-market generic pharmaceuticals, Jiebaili, Softan and ZAILIN are generic pharmaceuticals, while Endostar and Iremod are category I innovative pharmaceuticals and Sinofuan is a new formulation drug. Revenue derived from sales of our major products that are generic pharmaceuticals accounted for 60.7%, 54.9%, 46.5% and 35.5% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, while Endostar, Iremod and Sinofuan contributed 24.4%, 28.1%, 35.4% and 43.4% of our total revenue for the same periods, respectively.

In August 2020, we launched Orencia® (abatacept injection) (a cytotoxic T-lymphocyte-associated protein 4-Fc, or CTLA4-Fc, fusion protein for the treatment of moderate to severe rheumatoid arthritis), which is an imported innovative pharmaceutical we developed in collaboration with a R&D partner for commercialization in China, and Sanbexin™ (edaravone and dexborneol concentrated solution for injection) (an edaravone compound with significantly higher efficacy than edaravone monotherapy in patients with ischemic stroke), which is a

category I innovative pharmaceutical internally developed by us. In addition, we have obtained the exclusive promotion right in respect of KN035 (Envafolimab) (a subcutaneously injectable PD-L1 inhibitor), which is a category I innovative pharmaceutical candidate and is expected to be launched in 2021. We believe that such innovative products have significant market potential and, with our established commercial capabilities, will continue to drive our future growth.

We have continued to increase our investment in R&D during the Track Record Period. As of June 30, 2020, our R&D department consisted of 756 full-time employees, 331 of whom held master's degrees and 116 held Ph.D. degrees. We have established three R&D centers in Nanjing (the Jiangsu Province), Shanghai and Boston (the United States), respectively. With the approval of the Ministry of Science and Technology, we have also established a national key laboratory of translational medicine and innovative pharmaceuticals (轉化醫學與創新藥物國家重點實驗室). For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our research and development costs accounted for 5.5%, 9.9%, 14.2% and 23.6%, respectively, of our total revenue for the same periods. Our dedicated business development team monitors market developments and actively pursues potential collaboration opportunities. We have successfully established collaboration relationships with leading domestic and international pharmaceutical companies and biotechnology companies, securing exclusive development and commercialization rights in China. Our vigorous in-house R&D efforts and extensive R&D collaborations have translated into a robust pipeline of product candidates. In the next few years, we expect to submit or obtain the generic drugs approval or Import Drug License, or IDL, application for 17 selected generic pharmaceutical and biosimilar candidates. More importantly, as of the Latest Practicable Date, we had nearly 50 innovative product candidates in different stages of development which we are either internally developing or developing in collaboration with R&D partners. These include small molecule pharmaceuticals, large molecule pharmaceuticals and CAR T-cell therapies, among which nearly 10 product candidates had obtained the IND approval or were at clinical stage.

We are a vertically integrated pharmaceutical company with established manufacturing and commercial capabilities. We maintain an effective and nationwide sales and distribution network supported by over 2,800 sales and marketing personnel spanning 31 provinces, municipalities and autonomous regions across China as of June 30, 2020, covering approximately 2,100 Class III hospitals, approximately 17,000 other hospitals and medical institutions, as well as more than 200 large-scale national or regional pharmacy chains. Our leading commercial capabilities have enabled us to continuously procure our products' entry into the NRDL as well as clinical practice guidelines and pathways. As of June 30, 2020, our existing product portfolio included over 30 products in the NRDL and over 10 products recommended in more than 40 clinical practice guidelines and pathways issued by government authorities or prestigious professional associations.

We currently have five PRC GMP certified production facilities for the manufacturing of our pharmaceutical products, including one located in Nanjing, Jiangsu Province, two located in Hainan Province, one located in Yantai, Shandong Province and one located in Wuhu, Anhui Province. As of the Latest Practicable Date, our production facilities housed a total of 21

production lines for the production of biologics and small molecule pharmaceuticals in a variety of dosage forms including injectables, oral liquids, oral solid dosage forms (tablets, capsules, granules and powders), implants, gel and dry powder for inhalation, as well as five workshops for the production of APIs. We have received EU GMP certification or passed the U.S. FDA inspection for some of our production workshops. Moreover, we have a production facility for mAbs and other biologics in our pipeline, which is expected to commence pilot-scale production in December 2020. Furthermore, considering the complexity and difficulty in the manufacturing of cell therapy pharmaceuticals, we are currently constructing a new pilot-scale GMP-grade workshop for CMC and clinical research of the cell therapy pharmaceuticals in our product pipeline. We also plan to construct a new production facility for the commercial-scale production of cell therapy pharmaceuticals in our product pipeline in preparation for their commercial launch.

We have been recognized as one of the "Top 10 Innovative Pharmaceutical Enterprises in China (中國創新力醫藥企業十強)" from 2014 to 2019 and as one of the "Top 100 Pharmaceutical Manufacturing Enterprises of China (中國製藥工業百強)" from 2009 to 2018. Our revenue increased from RMB3,867.9 million in 2017 to RMB5,036.7 million in 2019, representing a CAGR of 14.1%. Our revenue decreased by 20.2% from RMB2,414.0 million for the six months ended June 30, 2019 to RMB1,925.4 million for the six months ended June 30, 2020. Our net profit increased from RMB350.4 million in 2017 to RMB1,003.6 million in 2019, representing a CAGR of 69.2%. Our net profit decreased by 59.9% from RMB461.0 million for the six months ended June 30, 2019 to RMB184.8 million for the six months ended June 30, 2020.

OUR COMPETITIVE STRENGTHS

Comprehensive and leading product portfolio focused in three large and fast-growing therapeutic areas with an increasing revenue contribution from innovative pharmaceuticals

We have been strategically focusing on some of the largest and/or fastest growing therapeutic areas in China with significant unmet medical needs, including (i) oncology, (ii) central nervous system diseases and (iii) autoimmune diseases. We are one of the few pharmaceutical companies headquartered in China that have developed and launched three category I innovative pharmaceuticals, according to Frost & Sullivan. Endostar and Iremod, both of which are our category I innovative pharmaceuticals, contributed 21.4%, 25.5%, 32.9% and 40.4% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

Oncology. As of the Latest Practicable Date, our oncology product portfolio comprised six products, including our core oncology product, Endostar (recombinant human endostatin injection):

- Endostar is the first proprietary anti-angiogenic targeted drug in China and the only endostatin approved for sale in China and worldwide, according to Frost & Sullivan. It is also the first innovative biologics approved for sale in China as a first-line treatment for NSCLC. Endostar was awarded the "Second Prize of the State Technological Innovation Award (國家技術發明二等獎)" and the "China Patents Gold Medal (中國專利金獎)." Endostar is clinically proven to be less toxic than conventional chemotherapy drugs and able to significantly extend advanced NSCLC patients' median survival time and quality of life. Recombinant human endostatin has been included in the NRDL since 2017. Recombinant human endostatin is recommended as a first-line treatment for advanced NSCLC patients by a number of oncology clinical practice guidelines issued by the NHC, Chinese Medical Association (中華醫學會) and CSCO. In addition, Endostar has also shown superior efficacy in the treatment of certain other tumors and complications, such as melanoma, osteosarcoma and malignant pleural effusion, and received wide recognition among healthcare professionals. Recombinant human endostatin is recommended as a first-line therapy for malignant melanoma and osteosarcoma by relevant clinical practice guidelines issued by CSCO.

  According to Frost & Sullivan, in terms of sales revenue, the market for targeted therapy drugs for NSCLC in China grew at a CAGR of 40.8% from 2015 to 2019, reaching RMB20.8 billion in 2019. Recombinant human endostatin was the seventh best-selling category of targeted therapy drug for NSCLC in terms of sales revenue in 2019, with a market share of 5.9%, according to Frost & Sullivan.

Central nervous system diseases. As of the Latest Practicable Date, our central nervous system product portfolio comprised three products, including our core central nervous system product, Bicun (edaravone injection):

- Bicun is the first edaravone injection approved for sale in China and the second edaravone injection approved for sale worldwide, according to Frost & Sullivan. Edaravone has been recommended for the treatment of stroke by a number of clinical practice guidelines issued by Chinese Medical Association, the NHC, China Stroke Association (中國卒中協會), the Japan Stroke Society, the American Heart Association and the American Stroke Association.

  According to Frost & Sullivan, in terms of sales revenue in 2019, the size of the edaravone drug market in China, being the third largest segment of the neuroprotective agent market in China, amounted to RMB2.9 billion. Bicun was the best-selling edaravone drug in terms of sales revenue in 2019, with a market share of 36.8%, according to Frost & Sullivan.

Autoimmune diseases. As of the Latest Practicable Date, our autoimmune product portfolio comprised four products, including our core autoimmune product, Iremod (iguratimod tablets):

- Iremod is the first iguratimod pharmaceutical product approved for sale in the world and the only iguratimod pharmaceutical product approved for sale in China, according to Frost & Sullivan. It is also the only PRC-developed small molecule DMARD that was launched in the past 10 years. Iguratimod has been included in the NRDL since 2017. Iguratimod is recommended as the primary therapy drug for treatment of active rheumatoid arthritis by a number of clinical practice guidelines and pathways issued by the NHC, Chinese Medical Association, Asia Pacific League of Associations for Rheumatology and the Ministry of Health, Labor and Welfare of Japan.

  According to Frost & Sullivan, in terms of sales revenue, the conventional synthetic DMARD market in China grew at a CAGR of 12.4% from 2015 to 2019, reaching RMB3.1 billion in 2019. Iguratimod was the third best-selling conventional synthetic DMARD in terms of sales revenue in 2019, with a market share of 18.4%, according to Frost & Sullivan.

Other therapeutic areas. We also sell and/or promote a wide range of pharmaceutical products in cardiovascular diseases, anti-infective and other therapeutic areas.

- OLMETEC PLUS is a new-generation fixed-dose combination of an angiotensin II receptor blocker, olmesartan medoxomil, and a thiazide diuretic, hydrochlorothiazide, and an exclusive product in the PRC pharmaceutical market. Angiotensin II receptor blocker is the most prescribed category of anti-hypertensive pharmaceuticals worldwide, according to Frost & Sullivan.

- TB-PPD (purified protein derivative of tuberculin), an exclusive product, has been included in the "Industry Standards of the People's Republic of China – Tuberculosis Diagnosis (WS288-2017)" (《中華人民共和國行業標準-肺結核診斷(WS288-2017)》) issued by the NHC.

- ZAILIKE-branded arbidol dispersible tablets, an exclusive dosage form, are a broad-spectrum anti-viral for treatment of influenza. Arbidol has been recommended by the NHC in its "Guidelines for the Diagnosis and Treatment of COVID-19 (Sixth/Seventh Editions for Trial Implementation)" (《新冠肺炎診療方案(試行第六版、第七版)》).

Compared with generic pharmaceuticals, innovative pharmaceuticals have higher technical barriers and enjoy first-mover advantages, well-positioning us in advancing our brand name and market position in the relevant therapeutic areas. In addition, we believe innovative pharmaceuticals are generally subject to more limited competition and relatively lower pricing pressure in centralized tender processes, enabling us to increase sales while maintaining stable profit margins.

While we have been committed to continuously increasing the contribution to our revenue from innovative pharmaceuticals, we have also been actively pursuing consistency evaluation approvals for our generic pharmaceuticals. As of the Latest Practicable Date, six of our generic pharmaceuticals passed or were regarded as passing the consistency evaluations, including Softan, ZAILIN (granules and capsules), Biqi-branded diosmectite powder and tofacitinib citrate tablets (category IV generic pharmaceutical).

Three newly launched or near-commercial potential best-in-class therapies with significant market potential

Over the years, we have been continuously dedicated to our strategically focused three therapeutic areas, including, (i) oncology, (ii) central nervous system diseases and (iii) autoimmune diseases, increasing our investment in R&D on innovative drugs and collaborating extensively with external partners, with a view to further enhancing the competitiveness of our product portfolio. In August 2020, we launched Orencia (abatacept injection) and Sanbexin (edaravone and dexborneol concentrated solution for injection) in China. In addition, we currently expect to launch the promotion of KN035 (Envafolimab), a key near-commercial product, in 2021:

- ***Orencia® (abatacept injection) 恩瑞舒®(阿巴西普注射液)***. Abatacept injection is the first innovative biologics developed by a PRC company jointly with a leading global pharmaceutical company that has been approved for sale in China, according to Frost & Sullivan. It is the first and only soluble CTLA4-Fc fusion protein approved for sale in China and the first and only selective T-cell co-stimulation modulator in the autoimmune disease therapeutic area worldwide, according to Frost & Sullivan. Abatacept injection is an innovative biologic drug candidate for the treatment of moderate to severe rheumatoid arthritis. It may be used in combination with other DMARDs (other than TNF-α inhibitors), such as methotrexate, to treat moderate to severe active rheumatoid arthritis patients who do not respond favorably to other DMARDs. We believe abatacept injection distinguishes itself by the following core strengths:

  - *Superior efficacy*: Abatacept injection is clinically proven to effectively improve the condition of rheumatoid arthritis patients, decrease their disease activity and enhance their quality of life. Due to CTLA4-Fc's mechanism of action, we believe that abatacept injection has the potential to expand its indications to other autoimmune diseases in the future;

- *Proven safety profile*: According to a US claims database, the risk of hospitalized infection of patients who use abatacept injection was 22.6% lower than the commonly used TNF-α inhibitors; and

- *Better patient compliance*: We believe subcutaneous administration improves patient convenience and persistence with treatment.

Abatacept injection was developed by BMS and first approved for sale in the United States in 2005 under the Orencia brand. It has also been launched in Europe and Japan with global sales of US$3.2 billion in 2019, according to Frost & Sullivan, suggesting its significant potential in China. According to Frost & Sullivan, in terms of sales revenue, the autoimmune biologics market is expected to grow from RMB5.8 billion in 2020 to RMB26.0 billion in 2024, with its share in the autoimmune pharmaceutical market increasing from 28.6% in 2020 to 48.9% in 2024. We launched our abatacept injection in China in August 2020, which offers a novel and effective treatment option to rheumatoid arthritis patients in China. With the rapid increase in the sales of biologics in the PRC pharmaceutical industry, we believe the launch of our abatacept injection in China will further increase our market share in the autoimmune disease therapeutic area in China.

- ***Sanbexin™ (edaravone and dexborneol concentrated solution for injection) 先必新® (依達拉奉右莰醇注射用濃溶液)***. Edaravone and dexborneol concentrated solution for injection is our category I innovative chemical drug developed by us in-house over a period of 13 years and for which we possess proprietary intellectual property rights. It is the only pharmaceutical for the treatment of stroke to obtain approval for sale in the past five years worldwide, according to Frost & Sullivan. We believe edaravone and dexborneol concentrated solution for injection distinguishes itself by the following core strengths:

  - *Significantly higher efficacy than edaravone monotherapy*: A randomized, double-blind, positive controlled, head to head comparison phase III study in approximately 1,200 acute ischemic stroke patients has shown that, compared to edaravone monotherapy, edaravone and dexborneol concentrated solution for injection has significantly higher efficacy with similar safety profile, extending the therapeutic time window from 24 hours to 48 hours; and

  - *Novel therapeutic mechanism*: Edaravone and dexborneol concentrated solution for injection is a novel neuroprotective agent that combines edaravone and dexborneol with a proven ratio of 4:1. Edaravone is an antioxidant and a free radical scavenger which scavenges hydroxyl free radical (OH), nitric oxide free radicals (NO) and peroxynitrite anion ($ONOO^-$); while dexborneol is a bicyclic monoterpene which could inhibit the production or expression of pro-inflammatory cytokines such as TNF-α and interleukin-1β as well as inflammation-related proteins such as cyclo-oxygenase-2 and induced nitric oxide synthase. With its dual mechanism of action, edaravone and dexborneol

concentrated solution for injection scavenges free radicals, inhibits inflammatory response and improves the permeability in blood-brain barrier, minimizing brain injury or impairment caused by acute ischemic stroke.

We launched Sanbexin (edaravone and dexborneol concentrated solution for injection) in China in August 2020. According to Frost & Sullivan, stroke is a leading cause of adult death (accounting for 14.9% and 17.8%, respectively, of total deaths of urban and rural population in 2018) and disability in China with high risk of recurrence and an imperative need for more effective therapy. The prevalence of stroke in China is expected to grow from 16.6 million in 2020 to 19.8 million in 2024. We believe edaravone and dexborneol concentrated solution for injection has strong market potential to address significant unmet medical needs and its launch will further solidify our market leadership in the central nervous system therapeutic area in China.

- ***KN035 (Envafolimab)***. KN035, a PD-L1 inhibitor with differentiation advantages, is potentially the first subcutaneously injectable anti-PD-L1 monoclonal antibody worldwide. Our collaboration partners are currently conducting phase II clinical trials of KN035 for dMMR/MSI-H colorectal carcinoma and other advanced solid tumors and phase III clinical trials for advanced BTC in mainland China as well as phase I clinical trials in the United States and Japan. It is expected to submit the NDA in the second half of 2020 and launch in the PRC market in 2021. We believe KN035 distinguishes itself by the following core strengths:

  - As a subcutaneously injectable anti-PD-L1 monoclonal antibody, we believe that KN035 may reach a broader patient group and could be a more valuable option for patients with advanced solid tumors who are not suitable for intravenous infusion. If used in combination with oral medications, KN035 may free patients from the inconvenience of hospitalization;

  - KN035 is expected to be the first anti-PD-L1 monoclonal antibody for MSI-H solid tumors or BTC approved for sale in the PRC; and

  - With its unique molecule design and approximately half of the clinical dosage of other anti-PD-L1 monoclonal antibodies launched in the market, KN035 has shown similar efficacy and safety profile. In particular, according to the clinical data released at the 2020 annual meeting of the American Society of Clinical Oncology, KN035 has demonstrated an ORR of 34.0% for dMMR/MSI-H advanced solid tumors and an ORR of 54.2% in the colorectal cancer patients who had prior therapy with fluoropyrimidine and oxaliplatin or irinotecan. In combination with FOLFOX, as a first-line therapy for advanced gastric cancer and gastroesophageal borderline tumor, the ORR is 60% and the median PFS is 6.8 months.

We entered into collaboration agreements with Jiangsu Alphamab and 3D Medicines in March 2020, which have granted us an exclusive right to promote KN035 for all oncology indications in China. In addition to dMMR/MSI-H solid tumors and BTC, Jiangsu Alphamab and 3D Medicines are currently exploring opportunities to extend the indications of KN035 to other tumors. Meanwhile, we plan to collaborate with Jiangsu Alphamab and 3D Medicines to develop a number of combination therapies with KN035 for the treatment of solid tumors, in order to further enhance the competitiveness of KN035. According to Frost & Sullivan, the sales revenue of the PD-1/PD-L1 mAb market in China is expected to grow rapidly at a CAGR of 56.1% from RMB13.8 billion in 2020 to RMB81.9 billion in 2024. We expect KN035 has vast market potential and its launch will complement our oncology product portfolio and continue to allow us to capture market share in the oncology pharmaceutical market in China.

Robust product pipeline driven by our in-house R&D efforts and R&D collaborations

Since our inception, we have been committed to developing innovative pharmaceuticals with clinical advantages and have been increasing our investment in R&D. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our research and development costs accounted for 5.5%, 9.9%, 14.2% and 23.6%, respectively, of our total revenue for the same periods. Leveraging our continuous R&D efforts over the years, we have established three integrated R&D centers, including one in Nanjing, Jiangsu, one in Shanghai and one in Boston, the United States. With the approval of the Ministry of Science and Technology, we have established a national key laboratory. As of June 30, 2020, our R&D department consisted of 756 full-time employees, 331 of whom held master's degrees and 116 held Ph.D. degrees, featuring project leaders for NHFPC's "Major New Drug Creation" Science and Technology Major Projects (「重大新藥創制」科技重大專項). Over 10% of our employees in R&D department are scientists or former R&D personnel from overseas well-known pharmaceutical companies or universities.

In addition, we collaborate extensively with domestic and international R&D partners to develop innovative drug candidates that fit our business strategies. Capitalizing on our in-house R&D capabilities, proven track record of successful development and commercialization of innovative pharmaceuticals, combined with our established manufacturing and commercial capabilities, we believe we are an attractive partner of choice for domestic and international pharmaceutical companies and biotechnology companies seeking to unlock the value of their assets in the rapidly growing PRC pharmaceutical market. We are one of the few companies in China to have developed and obtained NDA approval for three category I innovative pharmaceuticals and IDL for one imported innovative pharmaceutical, according to Frost & Sullivan.

Our vigorous in-house R&D efforts and extensive R&D collaborations have translated into a robust pipeline of product candidates in oncology, central nervous system disease and autoimmune disease therapeutic areas, addressing significant unmet medical needs. In

particular, we actively pursue opportunities to develop cell therapy pharmaceuticals. Compared to conventional therapies, the revolutionary cell therapy has the potential to offer curative treatment to patients with hematologic malignancies such as non-Hodgkin's lymphoma and acute lymphoblastic leukemia.

Oncology

Our oncology product candidates primarily focus on solid tumors and hematologic malignancies, including (i) monoclonal antibodies with a number of angiogenesis inhibitors, which will not only further solidify our market position in the relevant sectors, and also enable us to explore combination therapies with immune checkpoint inhibitors; and (ii) small molecule drugs that target cancer driver genes. Our key oncology product candidates include:

- ***Bevacizumab (貝伐珠單抗)***: We are collaborating with Amgen for the development of our biosimilar product candidate to Avastin®, a bevacizumab. We have obtained the IND approval for this product candidate and currently, we are conducting the randomized, double-blind pivotal registrational trials of this product candidate in China for treatment of advanced non-squamous NSCLC. We expect to file the IDL application for this product candidate in China by the end of 2022. The global sales of Avastin® reached US$7.12 billion in 2019, according to Frost & Sullivan, while bevacizumab biosimilars have been launched in Europe and the United States.

- ***Sevacizumab (賽伐珠單抗)***: We are collaborating with Apexigen for the development of sevacizumab, a new-generation recombinant humanized anti-VEGF monoclonal antibody. In its pre-clinical studies, sevacizumab has shown higher tumor suppression efficacy in multiple cancer models, compared to bevacizumab at the same dose. We are currently conducting phase I clinical trials of this product candidate in China for the treatment of ovarian cancer and the preliminary results have shown a favorable safety profile and early efficacy signals. We plan to initiate phase II/III clinical trials of this product candidate in China in 2021.

- ***PEG-ENDO (Pegylated recombinant human endostatin for injection)***: PEG-ENDO is a biologic drug candidate which modifies recombinant human endostatin by conjugation with a methoxy polyethylene glycol aldehyde, enhancing its pharmacokinetic properties while retaining its biological activities. Pharmacodynamic studies in animal models have demonstrated that PEG-ENDO can significantly enhance the effects of chemotherapy in multiple cancer models when used in combination with chemotherapy drugs. We are currently conducting phase Ib clinical trials for this product candidate in China.

- ***SIM-201***: SIM-201 is a second-generation NTRK gene fusion inhibitor which we have been developing in-house, potentially targeting primary mutation to NTRK, ROS1 and ALK as well as secondary resistance mutation to NTRK and ROS1. We have obtained the IND approval for this product candidate and plan to initiate phase I clinical trials in China by the end of 2020.

- ***Trilaciclib***: We are collaborating with G1 Therapeutics for the development of Trilaciclib, an investigational therapy designed to improve outcomes of cancer patients treated with chemotherapy. We are currently preparing for an IND application for this product candidate in China and expect to initiate phase I clinical trials in the third quarter of 2021; our collaboration partner, G1 Therapeutics, filed an NDA for this product candidate for the indication of chemotherapy-induced myelosuppression in SCLC in the United States in June 2020 and have received a Prescription Drug User Fee Act action date of February 15, 2021, by which date FDA is expected to declare its decision on the NDA. G1 Therapeutics also expects to initiate the phase III registrational clinical trials for this product candidate for colorectal cancer in the fourth quarter of 2020.

- ***SIM-323***: We are collaborating with GI Innovation for the development of SIM-323, which is expected to alleviate immunosuppression while activating anti-neoplastic immunoreaction. We plan to submit the IND application for this product candidate in China in 2021.

Cell therapy

We are a large-scale vertically integrated pharmaceutical company that strategically targets cell therapy sector. Recently, there has been an increasing trend to test cell therapy in cancer treatment, which is potentially a revolutionary and curative treatment approach for some of the patients. In the long-term, with the advancement of cell preparation as well as gene editing and delivery technologies, we expect the next 10 years to be a flourishing period for cell therapy. We believe cell therapy has promising prospects and have made strategic moves to tap into opportunities in the market to further expand the breadth of our oncology product pipeline, mainly attributable to its:

- *Significant potential to cure certain types of cancer*: Two CAR T-cell therapy pharmaceuticals approved for sale in the United States, namely, Yescarta and Kymriah, have shown high remission rates in patients with r/r B-cell tumors and outstanding long-term survival rates; and

- *Relatively short development cycle*: Due to its precise treatment mechanism and superior efficacy, with a relatively small number of enrolled patients for clinical trials, cell therapy pharmaceuticals generally can use phase II clinical trials as the pivotal trials for NDA submission, resulting in market launch within a short period of time.

Therefore, we believe cell therapy will become an important development trend for the oncology therapeutic area. We have quickly begun strategic planning and allocation of resources to capitalize on such trend, striving for continuous innovation in this sector. As of the Latest Practicable Date, we had more than 10 cell therapy product candidates, among which three CAR T-cell therapy candidates had obtained IND approval and one is preparing for the

IND application. We are collaborating with external R&D partners for the development of these three autologous CAR T-cell therapy candidates with IND approval, which have shown efficacy in investigator-initiated clinical trials. Such three CAR T-cell therapy candidates comprise:

- ***CD19 CAR T-cell Therapies***: We are developing two CD19 CAR T-cell therapies for the treatment of r/r CD19 positive B-cell non-Hodgkin's lymphoma and r/r CD19 positive B-cell acute lymphoblastic leukemia. Investigator-initiated clinical trials for lymphoma have shown a 6-month ORR of 53% and the median PFS of nine months, which are comparable to Yescarta and Kymriah. For our CD19 CAR T-cell therapy candidate of r/r CD19 positive B-cell non-Hodgkin's lymphoma indication, we are currently conducting phase I clinical trials in China and expect such clinical trials to be completed by the end of 2020. For our CD19 CAR T-cell therapy candidate of r/r CD19 positive B-cell acute lymphoblastic leukemia indication, we plan to initiate phase I clinical trials in China in 2021. We expect to submit the NDA for our CD19 CAR T-cell therapy candidates in China in 2022 and 2023, respectively. In addition, we intend to further expand its indications to other oncology diseases such as mantle cell lymphoma.

- ***BCMA CAR T-cell Therapy***: We are developing BCMA CAR T-cell therapy for the treatment of r/r multiple myeloma, which is expected to be the first humanized single domain antibody at clinical stage in China with the fastest development progress worldwide, according to Frost & Sullivan. Investigator-initiated clinical trials have shown an ORR of 88% and a CR of over 50% on patients with r/r myeloma, which are comparable to the data released by similar products under development around the world. We plan to initiate phase I clinical trials in China in 2020 and expect to submit the NDA in 2023.

We also plan to perform clinical trials to explore opportunities to use these three CAR T-cell therapy candidates in the treatment of second-line and even first-line high-risk patients. We are also considering to develop combination therapies with other immune checkpoint inhibitors, immune agonists or targeted therapy drugs in our product pipeline, with the aim of further enhancing the efficacy of these three CAR T-cell therapy candidates.

In addition to hematologic malignancies, we are developing in-house or in collaboration with R&D partners autologous cell therapy pharmaceuticals for the treatment of solid tumors, such as HPV16/18 positive cervical cancer, glioblastoma and liver cancer.

Moreover, we are also actively engaged in research to explore opportunities to develop universal allogeneic cell therapies, such as gene-edited universal allogeneic CAR-T cells as well as other immune cells such as NKT cells and NK cells, for the treatment of various tumors.

Considering the complexity and difficulty in the manufacturing of cell therapy pharmaceuticals, we are currently constructing a new pilot-scale GMP-grade workshop for CMC and clinical research of the cell therapy pharmaceuticals in our product pipeline. We also plan to construct a new production facility for the commercial-scale production of cell therapy pharmaceuticals in our product pipeline in preparation for their commercial launch.

Furthermore, we are an early-stage investor in certain emerging biotechnology companies specializing in cell therapy, such as Nanjing Bioheng Biotech Co., Ltd., AffyImmune Therapeutics and Carmine Therapeutics. We believe such strategic partnerships will enable us to further advance our innovation in the cell therapy sector.

Central nervous system diseases

Our central nervous system product candidates aim to offer full-cycle medications for patients with stroke, from the relief and early treatment of mild to moderate acute stroke, maintenance treatment after patient discharge, and to treatment of cerebral edema caused by severe stroke. Our key central nervous system product candidates include:

- ***Y-2 sublingual tablets (Y-2舌下片)***: Y-2 sublingual tablets are the solid dosage form of edaravone dexborneol compound. Sublingual administration of this compound inhibits inflammation and improves the permeability in the blood-brain barrier, minimizing brain injury or impairment caused by acute ischemic stroke. Sequential therapy consisting of Y-2 sublingual tablets and edaravone and dexborneol concentrated solution for injection is designed to enable patients to receive a timely and complete treatment. In addition, administration of sublingual tablets is less dependent on medical conditions or compliance of patients, which makes it more suitable for research on new indications such as other chronic central nervous system diseases. We are currently conducting phase I clinical trials for this product candidate in China; while YenePharma, our collaboration partner, is conducting phase I clinical trials for this product candidate in the United States. We expect to initiate phase II clinical trials for this product candidate in China by the end of 2020 or in early 2021.

- ***SIM-307***: SIM-307 is a first-in-class chemical compound developed based on the Nobel-prize winning water channel discovery. Studies have demonstrated SIM-307 as an AQP4 inhibitor to be effective in control of cerebral edema. SIM-307 is intended for treatment of cerebral edema caused by acute ischemic stroke through intravenous infusion administration. We are responsible for the development and commercialization of SIM-307 in the Greater China and we expect to initiate phase I clinical trials for it in China in 2021. Aeromics, our collaboration partner, has completed phase I clinical trial for the same in the United States.

Autoimmune diseases

Our autoimmune product candidates consist of both new drugs and existing drugs with new indications, targeting major indications that have significant unmet medical needs, including rheumatoid arthritis, Sjögren's syndrome, psoriasis and gout. Our key autoimmune product candidates include:

- ***SIM-335***: SIM-335, an innovative chemical drug candidate which we have been developing in-house, is intended for the treatment of mild to moderate plaque psoriasis through topical administration. We have obtained IND approval for this product candidate in China and are currently preparing for phase I clinical trials.

- ***Iguratimod tablets (Sjögren's syndrome) (艾拉莫德片(干燥综合徵))***: Iguratimod tablets, a chemical drug candidate, are intended for the treatment of primary Sjögren's syndrome by inhibiting the generation of inflammatory cytokines and stimulating the generation of immunoglobulins. According to investigator-initiated clinical trials, iguratimod tablets, when used in combination with methylprednisolone, have demonstrated higher efficacy and faster onset than conventional therapy of using hydroxychloroquine in combination with methylprednisolone, without increased incidence of adverse events. Iguratimod tablets have been recommended by the "Primary Sjögren's Syndrome Diagnosis and Treatment Standards" (《原發性干燥综合徵診療規範》) issued by the Chinese Medical Doctor Association (中國醫師協會) in 2020. We have obtained the IND approval for this product candidate in China.

- ***SIM-295***: SIM-295, an innovative chemical drug candidate, is a selective URAT1 inhibitor intended for the treatment of gout with hyperuricemia. We are responsible for the development and commercialization of SIM-295 in mainland China, Hong Kong and Macau. JW Pharmaceutical, our collaboration partner, is conducting phase IIb clinical trials for SIM-295 in South Korea, which have observed promising efficacy and favorable safety profile. We have submitted the IND application for this product candidate in China and we expect to obtain the IND approval by the end of 2020.

In addition to the above-mentioned product candidates, in the three therapeutic areas we strategically focus on, we had over 30 innovative drug candidates that were in pre-clinical studies as of the Latest Practicable Date.

Leading commercial capabilities with nationwide sales and distribution network

We maintain a nationwide sales and distribution network, which, combined with our leading commercial capabilities, have been among the key drivers for our continuously increasing revenue contribution from innovative pharmaceuticals. As of June 30, 2020, we had over 2,800 sales and marketing personnel spanning 31 provinces, municipalities and autonomous regions across China, covering approximately 2,100 Class III hospitals,

approximately 17,000 other hospitals and medical institutions, as well as more than 200 large-scale national or regional pharmacy chains across China. As of the same date, our core sales and marketing personnel had an average of over 10 years of pharmaceutical industry-related experience, and over 40% of them held bachelor's degrees or above in medicine, pharmacy or related majors. Our leading commercial capabilities are reflected in our comprehensive and effective marketing support system. In particular, our medical market department (醫學市場部) at the headquarters level is responsible for developing the overall sales and marketing strategies for each of our products and procuring our products' entry into a wide range of clinical practice guidelines and pathways. As of June 30, 2020, our existing product portfolio included over 10 products recommended in more than 40 clinical practice guidelines and pathways issued by government authorities or prestigious professional associations. In addition, our strategic account department (戰略客戶部) at the headquarters level analyzes applicable laws and regulations, formulating corresponding strategies, and when suitable opportunities arise, procuring our products' entry into the NRDL or other government-sponsored medical insurance programs. As of June 30, 2020, our existing product portfolio included over 30 products included in the NRDL. We provide systematic professional trainings to our skilled in-house sales force, which enables them to accurately and effectively convey the therapeutic benefits and strengths of our products when communicating with healthcare professionals.

We believe that our effective commercial capabilities will allow us to not only continue to enhance market awareness and penetration of our existing products, but also pursue partnerships and strategic alliances with domestic and international pharmaceutical and biotechnology companies, providing a solid foundation for the continued expansion of our business. In addition, our sales and marketing team are involved in our entire R&D process, which enables us to focus on R&D projects with unmet medical needs and great market potential and advance our R&D projects in an efficient manner.

World-class manufacturing infrastructure and quality control standards

We currently have five production facilities, including one located in Nanjing, Jiangsu Province, two located in Hainan Province, one located in Yantai, Shandong Province and one located in Wuhu, Anhui Province. As of the Latest Practicable Date, our production facilities housed a total of 21 production lines for the production of biologics and small molecule pharmaceuticals in a variety of dosage forms including injectables, oral liquids, oral solid dosage forms (tablets, capsules, granules and powders), implants, gel and dry powder for inhalation, as well as five workshops for the production of APIs. These production lines and workshops were established and have been operated in compliance with PRC GMP standards. We have received EU GMP certification or passed the U.S. FDA inspection for some of our production workshops. Moreover, we have a production facility for mAbs and other biologics in our pipeline, which is expected to commence pilot-scale production in December 2020.

We have implemented comprehensive quality control procedures and protocols that span across the entire production lifecycle from raw material sourcing till the final products are delivered to customers. We believe our global-standard manufacturing infrastructure, combined with our stringent quality control practices, enable us to produce high quality products consistently and efficiently.

A visionary senior management team with a strong sense of mission and proven track record

We are led by an open-minded senior management team with in-depth and complementary knowledge and expertise and global vision. Our senior management team has extensive R&D and collaboration experience, guiding and supporting our transition to become an innovation and R&D-driven pharmaceutical company.

Mr. Ren, our founder, chairman of the Board and chief executive officer, has over 30 years of industry experience and entrepreneurial experience in the PRC pharmaceutical market. Mr. Ren is currently the head of our national key laboratory of translational medicine and innovative pharmaceuticals (轉化醫學與創新藥物國家重點實驗室), the president of the China Pharmaceutical Innovation Promotion Association (中國醫藥創新促進會) (for the year from 2020 to 2021) and the vice chairman of the Ninth Committee of Jiangsu Science and Technology Association (江蘇省科學技術協會第九屆委員會).

Other members of our senior management team possess an average of over 20 years of industry experience in China and abroad, collectively covering a full spectrum of skillsets from research development, manufacturing to commercialization. In particular:

Mr. WANG Pin, our chief science officer, obtained a Ph.D in chemical engineering from California Institute of Technology and was previously the director of the center for immunoengineering in the University of Southern California. Since March 2015, he has been a full professor of the chemical engineering and materials department and biomedical engineering department of the University of Southern California, where he has also been the Zohrab A. Kaprielian Fellow in the chemical engineering and materials department. Mr. WANG Pin has achieved remarkable accomplishments in cell and gene therapy.

Mr. TANG Renhong, our senior vice president and executive Director, obtained a Ph.D. in molecular cell biology from Nanyang Technological University and was a postdoctoral researcher at the University of California, San Francisco. Mr. TANG Renhong previously served managerial positions in a number of global pharmaceutical companies where he was extensively involved in the R&D of innovative pharmaceuticals.

We believe that the strong sense of mission, as well as the complementary skills and experience, of our senior management team will continue to lead our more than 6,000 employees as of the Latest Practicable Date, contributing to the well-being of patients.

OUR STRATEGIES

We aim to continue to solidify market leadership in our strategically focused therapeutic areas in China. Over the long-term, our objective is to become an innovation and R&D-driven pharmaceutical company in China. We plan to implement the following strategies to achieve our goal:

Continue to invest in R&D and rapidly advance the development of our product candidates

We believe continuous innovation is critical to our competitiveness and sustainable growth. We intend to continue to invest in R&D and focus on oncology, central nervous system disease and autoimmune disease therapeutic areas where we have already established a leading product portfolio and extensive R&D experience.

We will continue to actively advance the development of our product candidates. In the next two or three years, we expect to have three innovative product candidates to submit NDA in China, one biosimilar candidate to submit IDL application in China, one chemical drug candidate to submit IDL application in China, six innovative product candidates to initiate phase II or III clinical trials in China, six innovative product candidates to initiate phase I clinical trials in China and at least nine innovative product candidates to submit IND applications in China. For example:

- ***Oncology***. We expect to submit the NDA/IDL application for our two CD19 CAR T-cell therapy candidates and bevacizumab biosimilar candidate. We expect to complete the phase I clinical trials for sevacizumab and initiate phase II/III clinical trials. We also expect to initiate phase II clinical trials for PEG-ENDO and phase I clinical trials for BCMA CAR T-cell therapy. In addition, we plan to initiate phase I clinical trials for SIM-201 and subcutaneous PD-L1 nanobody combination therapy candidates.

- ***Central Nervous System diseases***. We expect to complete the phase I clinical trials for Y-2 sublingual tablets and initiate II clinical trials. We also plan to initiate phase I clinical trials for SIM-307 and SIM-339.

- ***Autoimmune diseases***. We plan to initiate phase I clinical trials for SIM-295. We also plan to initiate phase II clinical trials of Sjögren's syndrome indication for Iremod and SIM-335.

We expect the commercialization of these product candidates to further enhance our product portfolio and market penetration in the relevant therapeutic areas.

Continue to source innovative therapies globally and expand our R&D network

In addition to relying on our in-house R&D team, we plan to continue our innovative R&D efforts through R&D collaborations. In particular, we plan to focus on procuring drug candidates that have initiated phase II/III clinical trials or revolutionary technologies and drug candidates that are still in early stage for commercialization in China.

We intend to leverage our global business development team and R&D team to continue to proactively pursue and evaluate collaboration opportunities with additional R&D partners. Meanwhile, we will take advantage of our investments in well-known healthcare investment funds such as MPM Capital and Ally Bridge Group. We believe such investments will broaden our access to potential R&D collaboration opportunities as well as diverse and competitive drug candidates.

Continue to attract and develop the best talent and strengthen our human capital

We believe our team of talent is key to our success. We plan to implement the following initiatives:

- ***Nurture and empower highly skilled talent***: We will continue to offer our employees a platform supporting continuous self-learning and self-development. We aim to maximize the potential of our talent through rotation, objective and key results (OKR) management and comprehensive trainings.

- ***Recruit promising talent***: In line with our transition to become an innovation and R&D-driven pharmaceutical company, we will continue to attract and recruit promising talent in our core business areas and increase our talent density, with a focus on specialists in the research and development of innovative pharmaceuticals.

- ***Optimize organizational structure***: We plan to continuously optimize our decision-making and incentive schemes and promote our high-performance corporate culture that values employees taking initiative, with a view to further solidifying our competitive advantages.

Continue to expand our market access and strengthen our sales and marketing capabilities

We are committed to strengthening our highly specialized sales and marketing network and will continue to expand and empower our skilled in-house sales force, in order to support the launch of new products in the future and to deepen our market penetration, thus further increasing our revenue contribution from innovative pharmaceuticals.

We aim to further increase the accessibility of our existing products to continue to unleash their market potential. Meanwhile, we will invest in the marketing and promotion of our new products to facilitate their market launch. We will also continue to enhance our marketing efforts, including strengthening academic partnerships with large hospitals, to increase public awareness of our products and further solidify our brand name. In addition, in response to the PRC government's efforts to develop a tiered diagnosis and treatment system, we will further expand our marketing channels and increase our coverage of hospitals at the community or county level.

Further enhance our GMP-compliant manufacturing capabilities

We are committed to continuously improving our production facilities and quality control practices. We will continue to establish new production facilities and production lines in accordance with international GMP standards and NMPA requirements, and invest in state-of-the-art production equipment. We also plan to leverage our strong track record and experience in manufacturing and quality control management to obtain GMP certifications for addition production lines and workshops. In addition, we have three new injection production lines under construction that are designed in accordance with international GMP standards. Moreover, we are currently constructing a new pilot-scale GMP-grade workshop for CMC and clinical research of the cell therapy pharmaceuticals in our product pipeline. We also plan to construct a new production facility for the commercial-scale production of cell therapy pharmaceuticals in our product pipeline in preparation for their commercial launch. Please see "– Production – Production Facilities – Expansion Plan" for more details.

OUR PRODUCT PORTFOLIO

Our Existing Product Portfolio

With our continuous growth over the years, we have established a diversified product portfolio comprising:

- Oncology: six products for the treatment of oncology diseases, under Endostar, Jepaso, Jiebaili, Sinofuan and other brands, including four generic pharmaceuticals, one innovative pharmaceutical and one new formulation drug;

- Central nervous system diseases: three products under Bicun (for the treatment of stroke), Sanbexin and another brand, including two generic pharmaceuticals and one innovative pharmaceutical;

- Autoimmune diseases: four products for the treatment of active rheumatoid arthritis and pain caused by rheumatoid arthritis and osteoarthritis, under Iremod, Yingtaiqing, Orencia and another brand, including two generic pharmaceuticals and two innovative pharmaceuticals;

- Cardiovascular diseases: three products for the treatment of cardiovascular diseases such as high triglycerides and high blood pressure, under Softan, OLMETEC PLUS and another brand, including two generic pharmaceuticals and one innovative pharmaceutical;

- Anti-infective: 11 products for the treatment of bacterial or virus-related infectious diseases, under Newanti, ZAILIN, ZAILIKE and other brands, all of which are generic pharmaceuticals; and

- A number of products for the treatment of other diseases, such as Biqi-branded diosmectite powder and dispersible tablets, our anti-diarrhea products.

We also manufacture and sell a number of APIs, such as diosmectite.

The following table sets forth a breakdown of our revenue from sales of pharmaceutical products by therapeutic areas for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Oncology products	1,004,855	26.2	1,279,801	29.7	1,568,853	32.7	660,902	28.9	537,638	29.8
Central nervous system products	1,276,142	33.3	1,202,008	27.9	936,869	19.5	572,780	25.1	178,011	9.9
Autoimmune products	423,219	11.0	537,849	12.5	813,786	17.0	329,243	14.4	536,976	29.8
Cardiovascular products	243,432	6.3	353,082	8.2	445,468	9.3	216,008	9.5	181,894	10.1
Anti-infective products	564,699	14.7	579,476	13.4	635,719	13.2	305,933	13.4	211,165	11.7
Others[(1)]	324,632	8.5	356,932	8.3	399,628	8.3	198,684	8.7	157,714	8.7
Total	3,836,979	100.0	4,309,148	100.0	4,800,323	100.0	2,283,550	100.0	1,803,398	100.0

Note:

(1) Including pharmaceutical products for the treatment of other diseases, APIs and other healthcare products.

The following table sets forth a breakdown of our revenue from sales of pharmaceutical products by our own pharmaceutical products and third-party pharmaceutical products for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Our own pharmaceutical products	3,478,310	90.7	3,982,086	92.4	4,423,951	92.2	2,118,452	92.8	1,602,917	88.9
Third-party pharmaceutical products	358,669	9.3	327,062	7.6	376,372	7.8	165,098	7.2	200,481	11.1
Total	3,836,979	100.0	4,309,148	100.0	4,800,323	100.0	2,283,550	100.0	1,803,398	100.0

The following table sets forth the sales of our major products in terms of revenue contribution in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
Endostar	669,662	17.3	856,830	19.0	1,136,547	22.6	457,484	19.0	388,588	20.2
Bicun	1,244,176	32.2	1,198,595	26.6	936,901	18.6	572,788	23.7	178,020	9.2
Iremod	159,025	4.1	291,687	6.5	520,157	10.3	203,828	8.4	389,514	20.2
Softan	179,152	4.6	277,666	6.2	334,852	6.6	166,916	6.9	121,644	6.3
Yingtaiqing[(1)]	261,533	6.8	242,832	5.4	289,912	5.8	123,681	5.1	146,155	7.6
Newanti	257,138	6.6	258,184	5.7	283,907	5.6	136,851	5.7	99,924	5.2
ZAILIN	189,163	4.9	187,427	4.2	199,706	4.0	93,945	3.9	54,586	2.8
Jepaso	132,909	3.4	162,361	3.6	173,104	3.4	79,044	3.3	66,240	3.4
Sinofuan	116,582	3.0	115,710	2.6	128,265	2.5	54,283	2.2	57,528	3.0
Jiebaili	85,664	2.2	144,833	3.2	127,033	2.5	70,090	2.9	18,371	1.0
Total major products	3,295,004	85.1	3,736,125	83.0	4,130,384	81.9	1,958,910	81.1	1,520,570	78.9

Note:

(1) Including sales of Yingtaiqing-branded diclofenac sodium sustained-release capsules sourced from CPU Pharma as well as Yingtaiqing-branded diclofenac sodium sustained-release capsules and Yingtaiqing-branded diclofenac sodium gel manufactured by us.

The following table sets forth selected information of our major products as of the Latest Practicable Date:

Therapeutic area	Major product	Classification	Indication(s)	Year of approval for sales in China	OTC/prescription pharmaceutical	Expiration date of production approval	Status of consistency evaluation[1]	Specifications	NRDL[2]	National Essential Drug List[3]	Internally developed/acquired/ developed in collaboration with R&D partner(s)[4]
Oncology:	Endostar (recombinant human endostatin injection)	Category I innovative pharmaceutical	NSCLC	2005	Prescription	November 12, 2024	N/A	15mg/2.4×10^5U/ 3ml per pre-filled syringe	Yes, Part B	No	Developed by Shandong Simcere before it became our subsidiary
	Jepaso (nedaplatin for injection)	First-to-market generic pharmaceutical	Solid tumors	2003	Prescription	July 6, 2025	Application filed in June 2020 (expected to pass in 2021)	10mg per vial	Yes, Part B	No	Developed by Dongjie Pharmaceutical before it was merged by Simcere Pharmaceutical
	Jiebaili (pemetrexed disodium for injection)	Generic pharmaceutical	Non-squamous NSCLC; pleural mesothelioma	2009	Prescription	March 12, 2024	Application filed in December 2019 (expected to pass in 2021)	0.1g/0.2g/0.5g per vial	Yes, Part B	Yes	Developed by Dongjie Pharmaceutical before it was merged by Simcere Pharmaceutical
	Sinofuan (5-fluorouracil implants)	New formulation drug	Digestive system tumors	2003	Prescription	September 28, 2024	N/A	0.1g per vial	No	No	Developed by Wuhu Simcere before it became our subsidiary
Central nervous system diseases:	Bicun (edaravone injection)	First-to-market generic pharmaceutical	Acute cerebral infarction	2003	Prescription	July 6, 2025	Application filed in October 2018 (expected to pass in 2021)	5ml:10mg/ 20ml:30mg per ampoule	No	No	Internally developed by us

Therapeutic area	Major product	Classification	Indication(s)	Year of approval for sales in China	OTC/prescription pharmaceutical	Expiration date of production approval	Status of consistency evaluation[1]	Specifications	NRDL[2]	National Essential Drug List[3]	Internally developed/acquired/developed in collaboration with R&D partner(s)[4]
Autoimmune diseases:	Iremod (iguratimod tablets)	Category 1 innovative pharmaceutical	Active rheumatoid arthritis	2011	Prescription	June 16, 2021	N/A	25mg per pill	Yes, Part B	No	Developed in collaboration with an Independent Third Party, which is a pharmaceutical research institute in China
	Yingtaiqing (diclofenac sodium sustained-release capsules[5]/gel)	First-to-market generic pharmaceutical (for capsules)/Generic pharmaceutical (for gel)	Pain relief	2005 (for gel)[5]	Prescription (for capsules)/OTC (for gel)	July 22, 2025 (for capsules)/ June 22, 2025 (for gel)[5]	-	50mg per pill (for capsules)/0.15g/ 0.20g/0.05g per tube (for gel)	Yes, Part A (for capsules)/No (for gel)	Yes (for capsules)/ No (for gel)	Internally developed by us or produced by and sourced from CPU Pharma[5] (for capsules)/internally developed by us (for gel)
Cardiovascular diseases:	Softan (rosuvastatin calcium tablets)	Generic pharmaceutical	Hypercholesterolemia	2011	Prescription	January 21, 2021	Passed in October 2018 (10mg) and March 2019 (5mg)	5mg/10mg per pill	Yes, Part B	Yes	Developed by and acquired from an Independent Third Party, which is a company primarily engaged in the R&D, production and sale of pharmaceuticals in China

Therapeutic area	Major product	Classification	Indication(s)	Year of approval for sales in China	OTC/prescription pharmaceutical	Expiration date of production approval	Status of consistency evaluation[1]	Specifications	NRDL[2]	National Essential Drug List[3]	Internally developed/acquired/developed in collaboration with R&D partner(s)[4]
Anti-infectives:	Newanti (biapenem for injection)	First-to-market generic pharmaceutical	Bacterial infections	2008	Prescription	December 10, 2022	Application filed in September 2019 (expected to pass in 2021)	0.3g per vial	Yes, Part B	No	Developed in collaboration with an Independent Third Party, which is a company primarily engaged in the R&D, production and sale of pharmaceutical chemicals and intermediates in China
	ZAILIN (amoxicillin granules/dispersible tablets/capsules)	Generic pharmaceutical	Bacterial infections	1993 (for granules)/ 2002 (for tablets)/1996 (for capsules)	Prescription	May 7, 2025 (for granules)/ April 8, 2024 (for tablets)/ May 7, 2025 (for capsules)	Passed in September 2019 (for granules)/ Passed in November 2019 (for capsules)	0.125g per pack (for granules)/ 0.25g per pill (for tablets)/0.25g per pill (for capsules)	Yes, Part A	Yes (for granules and capsules)/ No (for dispersible tablets)	Developed by Hainan Simcere before it became our subsidiary (for capsules and granules)/developed by Benyuan Dongyuan before it became our subsidiary (for dispersible tablets)

Notes:

(1) Our generic pharmaceuticals which had been approved for sale before the implementation of the "Reform Plan for Registration Classification of Chemical Pharmaceuticals 《化學藥品註冊分類改革工作方案》" are required to undergo and pass the consistency evaluation pursuant to the relevant PRC regulations. In particular, all generic pharmaceuticals which are among our major products are required to complete the consistency evaluation within three years from the date the first generic pharmaceutical of the same variety (namely, of the same generic name, the same dosage form, the same specifications and the same indications) has passed the consistency evaluation. We may apply for an extension with the NMPA at the provincial level if we have assessed and considered that the relevant generic pharmaceuticals are of limited market availability and have unmet clinical demand, and the NMPA at the provincial level may grant the appropriate extension after evaluation and consultation with the provincial public health administrative authorities. Please see "Regulatory Overview – Laws and Regulations Relating to Drugs – Laws and Regulations on Drug Registration – Registration of Generic Drugs" for more details. The manufacturer of the generic pharmaceutical of the same variety as ZAILIN has filed the application for consistency evaluation.

(2) The NRDL comprises Part A and Part B. Patients purchasing pharmaceuticals included in Part A of the NRDL are entitled to reimbursement of the entire amount of the purchase price, while patients purchasing pharmaceuticals included in Part B of the NRDL are required to pay a deductible amount and obtain reimbursement for the remainder of the purchase price. The amount of the deductible differs from region to region in the PRC. In principle, the NRDL was subject to a dynamic adjustment every two years. However, the NRDL was amended from time to time in practice, without strictly following the aforementioned time interval. With the issuance of the "Interim Measures for the Administration of Drug Use in Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》)" in July 2020, which came into force in September 2020, the dynamic adjustment of the NRDL is currently expected to occur once a year in principle. In addition, pharmaceuticals included in the NRDL through the national medical insurance pricing negotiation process are subject to adjustments only upon expiration of their respective national medical insurance agreements. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Medical Insurance Program" for more details. The market demand for our pharmaceutical products is highly sensitive to the coverage of the NRDL. Please see "Risk Factors – Risks Relating to Our Business and Industry – If our products are excluded or removed from national, provincial or other government-sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be materially and adversely affected. "

(3) Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Essential Drug List" for more details about the National Essential Drug List.

(4) Please see "– Oncology Products," "– Autoimmune Products," "– Cardiovascular Products" and "– Anti-Infective Products" for more details about our acquisition of, or our collaboration with R&D partners for, the relevant major products.

(5) The Yingtaiqing-branded sustained-release capsules that we current sell and/or promote are produced by and sourced from CPU Pharma. However, pursuant to our non-competition undertaking to CPU Pharma which is in line with our general practice for other third-party pharmaceutical products, we agreed not to produce diclofenac sodium sustained-release capsules unless necessary to meet the requirements of PRC laws and regulations. Please see "– Autoimmune Products – Yingtaiqing (Diclofenac Sodium) 英太青® (雙氯芬酸鈉)" for more details. Therefore, certain information regarding Yingtaiqing-branded sustained-release capsules are not disclosed in the table above.

The following table sets forth the sales volume and average selling price of our major products for the periods indicated:

		For the year ended December 31,						For the six months ended June 30,			
		2017		2018		2019		2019		2020	
Major product	Dosage form	Sales volume *('000 units)*	Average selling price *(RMB/unit)*	Sales volume *('000 units)*	Average selling price *(RMB/unit)*	Sales volume *('000 units)*	Average selling price *(RMB/unit)*	Sales volume *('000 units)*	Average selling price *(RMB/unit)*	Sales volume *('000 units)*	Average selling price *(RMB/unit)*
Endostar	injection (pre-filled syringes)	994.7	673.2	1,596.0	536.9	2,098.7	541.6	846.9	540.2	999.1	388.9
Jepaso	injection (vials)	1,990.0	66.8	2,684.7	60.5	3,549.2	48.8	1,575.3	50.2	1,544.2	42.9
Jiebaili	injection (vials)	72.7	1,177.7	151.8	954.0	150.5	844.1	83.1	843.6	29.9	615.2
Sinofuan	implant (vials)	369.1	315.8	351.5	329.2	374.0	343.0	163.1	332.9	185.3	310.4
Bicun	injection (ampoules)	38,810.2	32.1	38,373.4	31.2	29,142.5	32.2	17,997.5	31.8	5,420.8	32.8
Iremod	tablet (pills)	14,740.4	10.8	27,065.0	10.8	47,689.9	10.9	18,753.9	10.9	37,088.3	10.5
Yingtaiqing	capsule (pills)	424,742.7	0.6	395,985.3	0.6	458,566.7	0.6	197,966.9	0.6	253,171.9	0.6
	gel (tubes)	871.2	3.9	864.8	4.5	945.2	4.8	456.0	4.8	408.7	4.6
Softan	tablet (pills)	77,764.6	2.3	135,629.8	2.1	176,850.0	1.9	85,428.0	2.0	77,574.9	1.6
Newanti	injection (vials)	2,400.8	107.1	2,716.1	95.1	3,225.7	88.0	1,562.0	87.6	1,176.4	84.9
ZAILIN	granule (packs)	306,093.4	0.5	281,006.1	0.5	302,433.7	0.5	138,228.3	0.5	77,530.6	0.5
	tablet (pills)	64,353.6	0.2	66,446.0	0.3	67,433.3	0.3	37,256.4	0.3	14,784.3	0.3
	capsule (pills)	200,437.3	0.2	241,236.0	0.2	219,963.5	0.2	109,262.2	0.2	98,546.0	0.2

Note:

(1) Average selling price is calculated by dividing revenue by sales volume.

Please see "Financial Information – Period to Period Comparison of Results of Operations" for details about material fluctuations in average selling price of certain of our major products. In particular, the significant decrease in average selling price of Endostar during the Track Record Period was mainly attributable to the national medical insurance pricing negotiation process for its inclusion in the NRDL.

Oncology Products

As of the Latest Practicable Date, our oncology product portfolio comprised six products, including our major products: Endostar, Jepaso, Jiebaili and Sinofuan. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of oncology products were RMB1,004.9 million, RMB1,279.8 million, RMB1,568.9 million and RMB537.6 million, respectively, accounting for 26.2%, 29.7%, 32.7% and 29.8% of our revenue from sales of pharmaceutical products for the same periods, respectively.

According to Frost & Sullivan, oncology was the 5th largest therapeutic area in China in terms of sales revenue of pharmaceuticals in 2019, accounting for 11.2% of the overall pharmaceutical market in the same year. In terms of sales revenue, the oncology pharmaceutical market grew at a CAGR of 13.5% from RMB110.2 billion in 2015 to RMB182.7 billion in 2019, and is expected to grow further at a CAGR of 15.4% from 2020 to 2024, reaching RMB367.2 billion in 2024. The significant unmet clinical demands, increase in patients' affordability and willingness to pay for treatment, favorable government policies to support the development of innovative pharmaceuticals as well as combination therapies will continue to drive the rapid growth of the oncology pharmaceutical market in China, according to Frost & Sullivan.

Endostar (Recombinant Human Endostatin) 恩度 ® (重組人血管內皮抑制素)

Innovative biologics, included in the NRDL, the only endostatin approved for sale worldwide

Endostar (recombinant human endostatin injection), our category I innovative biologic drug, is the first proprietary anti-angiogenic targeted drug in China and the only endostatin approved for sale in China and worldwide, according to Frost & Sullivan. It is also the first innovative biologics approved for sale in China as a first-line treatment for NSCLC. Recombinant human endostatin is a genetically engineered protein that inhibits the growth of blood vessels to a tumor, thereby slowing and preventing the growth and metastasis of tumor cells. Endostar is a targeted cancer therapy drug which, in combination with NP chemotherapy regimen, can be used to treat early and recurrent stage III/IV NSCLC. Our phase III clinical trials, completed in 2004, demonstrated that, compared with NP chemotherapy regimen alone, combining Endostar with NP chemotherapy regimen can significantly extend advanced NSCLC patients' median time to progression (TTP) and overall survival (OS) and improve their quality of life. We commenced our phase IV post-marketing clinical trials in 2006, enrolling an aggregate of 2,725 subjects. According to our phase IV clinical trials, combining Endostar with other different first-line chemotherapies, including NP regimen, gemcitabine/cisplatin (GP) regimen, paclitaxel/carboplatin (TC) regimen and docetaxel and cisplatin (DP) regimen, could all slow down disease progression in advanced NSCLC patients (median time to progression (TTP) of 7.6 months and median OS of 17.6 months) with a favorable safety profile. In addition, trial results did not demonstrate a significant difference in efficacy among the four groups of Endostar-combined chemotherapy.

Recombinant human endostatin is recommended by a number of oncology clinical practice guidelines in China as a first-line therapy for advanced NSCLC patients. In particular, it has been recommended by the "Primary Lung Cancer Diagnosis and Treatment Standards" (《原發性肺癌診療規範》) issued by NHC in 2015 and 2018, the "Clinical Pathways for NSCLC (2016)" (《非小細胞肺癌化療臨床路徑(2016版)》) issued by the NHC, the "Chinese Medical Association Guideline for Clinical Diagnosis and Treatment of Lung Cancer (2018)" (《中華醫學會肺癌臨床診療指南(2018版)》) issued by the Chinese Medical Association, the "Guidelines of Chinese Society of Clinical Oncology (CSCO) Primary Lung Cancer (2019)" (《中國臨床腫瘤學會原發性肺癌診療指南(2019版)》) and the "Chinese Expert Consensus on Anti-angiogenic Drugs for Advanced NSCLC (2019)" (《晚期非小細胞肺癌抗血管生成藥物治

療中國專家共識(2019版)》) issued by the CSCO. Moreover, recombinant human endostatin has been recommended as a first-line therapy for malignant melanoma and osteosarcoma by relevant clinical practice guidelines issued by the CSCO.

Endostar was developed by Shandong Simcere, with its NDA approval obtained before our acquisition of Shandong Simcere in September 2006. As of the Latest Practicable Date, we held one invention patent on the compound of Endostar in the United States, which was valid until 2023. In addition, we held 20 surrounding invention patents in connection with Endostar in the PRC as of the Latest Practicable Date.

Endostar (recombinant human endostatin injection) was included in the NRDL in 2017 through the national medical insurance pricing negotiation process, which was successfully renewed in 2019. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Medical Insurance Program" for more details about such pricing negotiation process. Sales of Endostar accounted for 17.3%, 19.0%, 22.6% and 20.2% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Endostar increased from RMB669.7 million in 2017 to RMB1,136.5 million in 2019, representing a CAGR of 30.3%. Our revenue derived from sales of Endostar decreased by 15.1% from RMB457.5 million for the six months ended June 30, 2019 to RMB388.6 million for the six months ended June 30, 2020. Please see "Financial Information – Period to Period Comparison of Results of Operations" for more details.

In terms of sales revenue, the market for targeted therapy drugs for NSCLC in China grew at a CAGR of 40.8% from 2015 to 2019, reaching RMB20.8 billion in 2019. Recombinant human endostatin was the seventh best-selling category of targeted therapy drug for NSCLC in terms of sales revenue in 2019, with a market share of 5.9%, according to Frost & Sullivan.

The following table illustrates major competing drugs of Endostar approved for sale in China:

	Representative Product		Number of Other Manufacturers of Products with the Same	Earliest Year of NMPA	NRDL
Generic Name	**Brand Name**	**Manufacturer**	**Generic Name**	**Approval**	**Inclusion**
Pembrolizumab	Keytruda	MSD	N/A	2018	No
Nivolumab	Opdivo	BMS	N/A	2018	No
Anlotinib	Fukewei (福可維)	Chiatai Tianqing (正大天晴)	N/A	2018	Part B
Osimertinib	Tagrisso	AstraZeneca	N/A	2017	Part B
Crizotinib	Xalkori	Pfizer	N/A	2013	Part B
Icotinib	Kaimeina (凱美納)	Betta	N/A	2011	Part B
Bevacizumab	Avastin (安維汀)	Roche	2	2010	Part B
Gefitinib	Iressa	AstraZeneca	5	2004	Part B

Source: CDE, Frost & Sullivan analysis

While Avastin can only be used to treat non-squamous NSCLC, Endostar is effective for the treatment of NSCLC with any histological type. In addition, as a multi-targeted anti-angiogenic drug, Endostar has demonstrated higher safety profile compared to Avastin. Endostar has been recommended as a first-line therapy for treatment of NSCLC, while Fukewei has been listed as a third-line therapy for the same indication. Moreover, as an anti-angiogenic drug, Endostar has the potential to develop combination therapies with immune checkpoint inhibitors.

Endostar has received the following major awards and recognitions:

Awards and recognitions	**Grantor**	**Year**
Second Prize of the State Technological Innovation Award (國家技術發明二等獎)	State Council	2008
China Patents Gold Medal (中國專利金獎)	State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) World Intellectual Property Organization (世界知識產權組織)	2008
National Major Scientific and Technological Special Project for Significant New Drugs Development during the 11th Five-year Plan Period (「十一五」國家重大新藥創制科技重大專項)	Implementation Management Office of Major Scientific and Technological Special Project for Significant New Drugs Development (重大新藥創制科技重大專項實施管理辦公室)	2010
National Key New Products (國家重點新產品)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部); Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部), formerly known as Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部); MOFCOM; SAMR	2010

We are conducting various research and development efforts to maximize the commercial potential of Endostar. For example, we are currently developing PEG-ENDO, which is intended to enhance the pharmacokinetic properties of Endostar. Please see "– Our Product Pipeline" for more details.

Jepaso (Nedaplatin) 捷佰舒® (奈達鉑)

First-to-market generic pharmaceutical, included in the NRDL

Jepaso (nedaplatin for injection), our first-to-market generic pharmaceutical, is primarily used for the treatment of solid tumors such as head and neck neoplasms, small cell lung cancer, NSCLC, esophagus cancer and ovarian cancer. It is the first nedaplatin pharmaceutical product approved for sale in China, according to Frost & Sullivan. After nedaplatin enters into a cell, it releases aglycone of glycolate and inhibits the replication of DNA and thereby prevents the growth of tumor cells. As a second-generation platinum-based drug, nedaplatin is more soluble in water and appears to be less toxic to kidney and the digestive system compared with cisplatin, the first-generation platinum-based drug, and therefore more suitable for elderly patients as well as patients with renal insufficiency. According to various independent clinical studies, nedaplatin does not have full cross resistance against other platinum-based chemotherapy drugs and can be the preferred platinum-based chemotherapy drug for the treatment of esophagus cancer and head and neck neoplasms. According to a 2015 independent clinical research, nedaplatin-based chemotherapy significantly prolongs overall survival in patients with squamous cell lung cancer and is likely to be the new-generation standard treatment for advanced or recurrent NSCLC. The originator product of Jepaso was developed by Shionogi and was launched in Japan in 1995.

Attributable to its effectiveness in the treatment of esophagus cancer and mild adverse reactions, nedaplatin has gained wide recognition among healthcare professionals in China, and has been listed as a recommended first-line chemotherapy or palliative chemotherapy for esophagus cancer in various clinical practice guidelines, including, among others, the "Clinical Pathways for Esophagus Cancer Chemotherapy (2016)" (《食管癌化療臨床路徑 (2016版)》) issued by NHC, the "Standardized Esophagus Cancer Diagnosis and Treatment Guidelines (the Second Edition)" (《食管癌規範化診療指南 (第二版)》) published by China Union Medical University Press (中國協和醫科大學出版社) and the "China Esophagus Cancer Radiotherapy Guidelines (2019)" (《中國食管癌放射治療指南 (2019版)》) issued by CACA. Nedaplatin has also been recommended as a first-line therapy for advanced squamous cell lung cancer by the "Clinical Pathways for NSCLC Chemotherapy (2016)" (《非小細胞肺癌化療臨床路徑 (2016版)》) issued by NHC and the "Primary Lung Cancer Diagnosis and Treatment Guidelines (2019)" (《原發性肺癌診療指南 (2019版)》) issued by CSCO. In addition, Jepaso has been included in the "Consensus among Experts on Metastatic Nasopharynx Cancer (2018)" (《轉移性鼻咽癌專家共識 (2018版)》) issued by CACA as a treatment option for nasopharynx cancer.

Jepaso was developed by Dongjie Pharmaceutical, with its generic drugs approval obtained before the merger between Dongjie Pharmaceutical and Simcere Pharmaceutical in November 2007. As of the Latest Practicable Date, we held one invention patent on the refining method of the API of Jepaso in the PRC, which was valid until 2027.

Nedaplatin has been included in the NRDL since 2009. Sales of Jepaso accounted for 3.4%, 3.6%, 3.4% and 3.4% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Jepaso increased from RMB132.9 million in 2017 to RMB173.1 million in 2019, representing a CAGR of 14.1%. Our revenue derived from sales of Jepaso decreased by 16.2% from RMB79.0 million for the six months ended June 30, 2019 to RMB66.2 million for the six months ended June 30, 2020.

According to Frost & Sullivan, in terms of sales revenue, the platinum-based drug market in China grew at a CAGR of 9.9% from 2015 to 2019, while the nedaplatin drug market in China, being its third largest segment, grew at a CAGR of 0.4% during the same period, reaching RMB558.2 million in 2019. We were the largest manufacturer in the nedaplatin drug market in China in terms of sales revenue in 2019, with a market share of 33.7%, according to Frost & Sullivan.

There are three major competing drugs of Jepaso approved for sale in China, all of which are included in Part B of the NRDL, according to Frost & Sullivan.

Jepaso has received the following major awards and recognitions:

Awards and recognitions	**Grantor**	**Year**
High and New Technology Product of Jiangsu (江蘇省高新技術產品)	Department of Science and Technology of Jiangsu Province (江蘇省科技廳)	2014
Famous Brand Product of Jiangsu (江蘇省名牌產品)	Jiangsu Promotion Commission for Famous Brand Strategy (江蘇省名牌戰略推進委員會)	2014

Jiebaili (Pemetrexed Disodium) 捷佰立® (培美曲塞二鈉)

Included in the NRDL

Jiebaili (pemetrexed disodium for injection), our generic drug, is a folate analog metabolic inhibitor that disrupts folate-dependent metabolic processes essential for cell replication and thereby prevents the growth of tumor cells. Jiebaili can be either used alone or in combination with other chemotherapy drugs and/or targeted drugs. The originator product of Jiebaili was developed by Eli Lilly and was launched in the United States in 2004.

Pemetrexed disodium has been included in various clinical practice guidelines as a full-line therapy for non-squamous NSCLC and a first-line therapy for pleural mesothelioma, including, among others, the "Primary Lung Cancer Diagnosis and Treatment Guidelines (2019)" (《原發性肺癌診療指南(2019版)》) and the "Consensus among Chinese Experts on Anti-angiogenic Drug for Treatment of Advanced NSCLC (2019)" (《晚期非小細胞肺癌抗血管生成藥物治療中國專家共識(2019版)》) issued by CSCO, the "Clinical Practice Guidelines in Oncology – NSCLC (2019, the Fifth Version)" (《臨床實踐指南之非小細胞肺癌(2019年第五版)》) and the "Clinical Practice Guidelines in Oncology – Malignant Pleural Mesothelioma

(2019, the Second Version)" (《臨床實踐指南之惡性胸膜間皮瘤(2019年第二版)》) issued by the National Comprehensive Cancer Network, a not-for-profit alliance of leading cancer centers in the United States. Pemetrexed disodium has also been included in the "Clinical Practice Guidelines in Oncology – Cervical Cancer (2019, the Fourth Version)" (《臨床實踐指南之宮頸癌(2019年第四版)》) issued by the National Comprehensive Cancer Network.

Jiebaili was developed by Dongjie Pharmaceutical, with its application for generic drugs approval already filed at the time of the merger between Dongjie Pharmaceutical and Simcere Pharmaceutical in November 2007. As of the Latest Practicable Date, we held one invention patent on the formulation of Jiebaili in the PRC, which was valid until 2036.

Pemetrexed has been included in the NRDL since 2017. Sales of Jiebaili accounted for 2.2%, 3.2%, 2.5% and 1.0% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Jiebaili increased from RMB85.7 million in 2017 to RMB127.0 million in 2019, representing a CAGR of 21.7%. Our revenue derived from sales of Jiebaili decreased by 73.8% from RMB70.1 million for the six months ended June 30, 2019 to RMB18.4 million for the six months ended June 30, 2020. Please see "Financial Information – Period to Period Comparison of Results of Operations" for more details.

According to Frost & Sullivan, in terms of sales revenue, the pemetrexed drug market in China grew at a CAGR of 9.5% from 2015 to 2019, reaching RMB3.4 billion in 2019. We were the sixth largest manufacturer in the pemetrexed drug market in China in terms of sales revenue in 2019, with a market share of 4.0%, according to Frost & Sullivan.

There are five major competing drugs of Jiebaili approved for sale in China, all of which are included in Part B of the NRDL, according to Frost & Sullivan.

Sinofuan (5-Fluorouracil) 中人氟安® (5-氟尿嘧啶)

New formulation drug, the only domestic antineoplastic sustained-release implant approved for sale in China

Sinofuan (5-fluorouracil implants), our new formulation drug, is the only domestic antineoplastic sustained-release implant approved for sale in China, according to Frost & Sullivan. 5-Fluorouracil is primarily used for treatment of digestive system tumors, including esophagus cancer, colorectal cancer and gastric cancer. As a nucleoside metabolic inhibitor, 5-fluorouracil works by inhibiting the synthesis of DNA and RNA and thereby preventing the growth of tumor cells. Sustained-release implant, as a novel dosage form used in the treatment of digestive system tumors, which significantly enhances the local concentration of 5-fluorouracil shortly after administration and provides constant release over an extended period, while minimizing systemic toxicity and side effects.

As a recommended intraoperative chemotherapy drug for colorectal cancer, 5-fluorouracil has been included in the "Consensus among Chinese Experts on Drugs Used in Abdominal Cavity for Prevention and Treatment of Peritoneal Metastasis of Colorectal Cancer (2019)" (《結直腸癌腹膜轉移預防和治療腹腔用藥中國專家共識(2019版)》) and the "Consensus among Experts on NOSES for Colorectal Neoplasm (2019)" (《結直腸腫瘤經自然腔道取標本手術專家共識(2019版)》) issued by the Chinese Medical Doctor Association (中國醫師協會). In addition, 5-fluorouracil has been included in the "Interpretation of Clinical Pathways Therapy Drugs – Oncology Disease Volume (2015)" (《臨床路徑治療藥物釋義 – 腫瘤疾病分冊(2015年)》) published by China Union Medical University Press as a recommended intraoperative chemotherapy drug for gastric cancer, colorectal cancer and liver cancer.

Sinofuan was developed by Wuhu Simcere, with its NDA approval obtained before our acquisition of Wuhu Simcere in December 2008.

Sales of Sinofuan accounted for 3.0%, 2.6%, 2.5% and 3.0% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Sinofuan increased from RMB116.6 million in 2017 to RMB128.3 million in 2019. Our revenue derived from sales of Sinofuan increased by 6.0% from RMB54.3 million for the six months ended June 30, 2019 to RMB57.5 million for the six months ended June 30, 2020.

According to Frost & Sullivan, in terms of sales revenue, the intraoperative chemotherapy drug for digestive system cancer market in China grew at a CAGR of 29.9% from 2015 to 2019, reaching RMB2.1 billion in 2019. Sinofuan accounted for 6.6% of the intraoperative chemotherapy drug for digestive system cancer market in China in terms of sales revenue in 2019, according to Frost & Sullivan.

The following table illustrates major competing drugs of Sinofuan approved for sale in China:

	Representative Product		Number of Other Manufacturers of Products with the Same	Year of NMPA	NRDL
Generic Name	**Brand Name**	**Manufacturer**	**Generic Name**	**Approval**	**Inclusion**
Lobaplatin	N/A	Changan International Pharmaceutical (長安國際製藥)	N/A	2005	Part B
Raltitrexed	N/A	Chia Tai Tian Qing (正大天晴)	N/A	2009	Part B

Source: CDE, Frost & Sullivan analysis

As a sustained-release implant, Sinofuan maintains a more stable drug concentration over an extended period of time, according to Frost & Sullivan.

Central Nervous System Products

As of the Latest Practicable Date, our central nervous system product portfolio comprised three products, including our major product, Bicun. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of central nervous system products were RMB1,276.1 million, RMB1,202.0 million, RMB936.9 million and RMB178.0 million, respectively, accounting for 33.3%, 27.9%, 19.5% and 9.9% of our revenue from sales of pharmaceutical products for the same periods, respectively.

According to Frost & Sullivan, central nervous system diseases were the 4th largest therapeutic area in China in terms of sales revenue of pharmaceuticals in 2019, accounting for 12.5% of the overall pharmaceutical market in the same year. In terms of sales revenue, the central nervous system pharmaceutical market in China grew at a CAGR of 9.1% from RMB144.0 billion in 2015 to RMB204.3 billion in 2019. The central nervous system pharmaceutical market in China is expected to grow further at a CAGR of 4.6% from 2020 to 2024, reaching RMB250.9 billion in 2024. The central nervous system pharmaceutical market in China is expected to continue its growth leveraging key drivers including an increasing number of patients as well as their increasing disposable income, launch of new products and indication expansion of existing products, according to Frost & Sullivan.

Bicun (Edaravone) 必存® (依達拉奉)

First-to-market generic pharmaceutical, the second edaravone injection approved for sale worldwide

Bicun (edaravone injection), our first-to-market generic pharmaceutical for the treatment of acute cerebral infarction, is the first edaravone injection approved for sale in China and the second edaravone injection approved for sale worldwide, according to Frost & Sullivan. Edaravone is a synthetic free radical scavenger used to improve the neurological symptoms and dysfunction of activities of daily living caused by acute cerebral infarction. Edaravone protects the brain by eliminating excessive free radicals, which are highly reactive molecules occurring in the human body as a result of cerebral infarction that could result in damage to cerebral cells. Meanwhile, it inhibits the decrease of regional cerebral blood flow in cerebral infarction. Edaravone is a neuroprotective agent that has been proven as effective and safe in improving the functional outcomes of patients with acute cerebral infarction, according to multiple randomized, double-blind placebo controlled clinical trials both in China and abroad. The originator product of Bicun was developed by Mitsubishi Tanabe Pharma Corporation and was launched in Japan in 2001.

Edaravone has been recommended by a number of clinical practice guidelines and consensus in China and abroad for treatment of stroke, such as the "Acute Ischemic Stroke Diagnosis and Treatment Guidelines" (《中國急性缺血性腦卒中診治指南》) issued by Chinese Medical Association in 2010, 2015 and 2018, the "Guidelines for the Early Management of Patients with Acute Ischemic Stroke" issued by American Heart Association and American Stroke Association in 2007 and 2013, the "Cerebral Hemorrhage Diagnosis and

Treatment Guidelines" (《腦出血診治指南》) issued by Chinese Medical Association in 2015, the "Clinical Pathways for Cerebral Infarction (2016)" (《腦梗死臨床路徑(2016版)》), the "Clinical Pathways for Cerebral Hemorrhage (2016)" (《腦出血臨床路徑(2016版)》) and the "Acute-Stage Ischemic Stroke Diagnosis and Treatment Guidelines (2017)" (《缺血性腦卒中急性期診療指導規範(2017版)》) issued by the NHC, the "Japanese Guidelines for the Management of Stroke 2015 (2017 Revised)" issued by the Japan Stroke Society and the "China Cerebrovascular Disease Clinical Management Guidelines (2019)" (《中國腦血管病臨床管理指南(2019版)》) issued by the China Stroke Association.

As of the Latest Practicable Date, we held or jointly-held two invention patents on the new application of the API of Bicun in the PRC, with expiry dates ranging from 2025 to 2031. In addition, we held five surrounding invention patents in connection with Bicun in the PRC as of the Latest Practicable Date.

Sales of Bicun accounted for 32.2%, 26.6%, 18.6% and 9.2% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Bicun was RMB1,244.2 million, RMB1,198.6 million and RMB936.9 million in 2017, 2018 and 2019, respectively. The decrease in our revenue from sales of Bicun from 2018 to 2019 was primarily due to the issuance of the "First Batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products)" (《第一批國家重點監控合理用藥藥品目錄(化藥和生物製品)》) (the "**Control List**") in June 2019, which aims at strictly monitoring and controlling the clinical use of 20 key monitored pharmaceuticals included in the Control List, such as edaravone. Please see "– Major Recent Regulatory Reforms" and "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Essential Drug List" for more details. Our revenue derived from sales of Bicun decreased by 68.9% from RMB572.8 million for the six months ended June 30, 2019 to RMB178.0 million for the six months ended June 30, 2020. Please see "Financial Information – Period to Period Comparison of Results of Operations" for more details.

According to Frost & Sullivan, in terms of sales revenue in 2019, the size of the edaravone drug market in China, being the third largest segment of the neuroprotective agent market in China, amounted to RMB2.9 billion. Bicun was the best-selling edaravone drug in terms of sales revenue in 2019, with a market share of 36.8%, according to Frost & Sullivan.

There are four major competing drugs of Bicun with the same generic name approved for sale in China, none of which is included in the NRDL, according to Frost & Sullivan.

Bicun was awarded the "High and New Technology Product of Jiangsu Province (江蘇省高新技術產品)" by Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in 2013.

Sanbexin™ (edaravone and dexborneol concentrated solution for injection) 先必新®(依達拉奉右莰醇注射用濃溶液)

Edaravone and dexborneol concentrated solution for injection is our innovative chemical drug which we have been developing in-house. It is a compound of edaravone and dexborneol with a proven ratio of 4:1. Edaravone is an antioxidant and a free radical scavenger which scavenges hydroxyl free radical (OH), nitric oxide free radicals (NO) and peroxynitrite anion (ONOO−); while dexborneol is a bicyclic monoterpene which could inhibit the production or expression of pro-inflammatory cytokines such as TNF-α and interleukin-1β as well as inflammation-related proteins such as cyclo-oxygenase-2 and induced nitric oxide synthase. With its dual mechanism of action, edaravone and dexborneol concentrated solution for injection scavenges free radicals, inhibits inflammatory response and improves the permeability in blood-brain barrier, minimizing brain injury or impairment caused by acute ischemic stroke. A randomized, double-blind, positive controlled, head to head comparison phase III study in approximately 1,200 acute ischemic stroke patients has shown that, compared to edaravone monotherapy, edaravone and dexborneol concentrated solution for injection has significantly higher efficacy with similar safety profile, extending the therapeutic time window from 24 hours to 48 hours. Edaravone and dexboreol concentrated solution for injection obtained the NDA approval in July 2020 and we launched Sanbexin (edaravone and dexboreol concentrated solution for injection) in China in August 2020. It is the only pharmaceutical for the treatment of stroke to obtain approval for sale in the past five years worldwide.

Autoimmune Products

As of the Latest Practicable Date, our autoimmune product portfolio comprised four products, including our major products, Iremod and Yingtaiqing. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of autoimmune products were RMB423.2 million, RMB537.8 million, RMB813.8 million and RMB537.0 million, respectively, accounting for 11.0%, 12.5%, 17.0% and 29.8% of our revenue from sales of pharmaceutical products for the same periods, respectively.

According to Frost & Sullivan, autoimmune diseases were one of the fastest growing therapeutic areas in China in terms of sales revenue of pharmaceuticals in 2019. In terms of sales revenue, the autoimmune pharmaceutical market grew at a CAGR of 13.4% from RMB9.8 billion in 2015 to RMB16.2 billion in 2019, and is expected to grow further at a CAGR of 27.2% from 2020 to 2024, reaching RMB53.2 billion in 2024. An increasing number of patients, as well as their increasing disposable income and health awareness, the inclusion of additional pharmaceuticals into the NRDL, the improvement of diagnosis and treatment level, and the development of innovative therapies and pharmaceuticals are expected to continue to drive the future growth of the autoimmune pharmaceutical market in China, according to Frost & Sullivan.

Iremod (Iguratimod) 艾得辛® (艾拉莫德)

Innovative pharmaceutical, included in the NRDL, the only iguratimod drug approved for sale in China

Iremod (iguratimod tablets), our category I innovative chemical drug for the treatment of active rheumatoid arthritis, is the only iguratimod pharmaceutical product approved for sale in China and the first iguratimod pharmaceutical product approved for sale in the world, according to Frost & Sullivan. Iguratimod is a type of conventional synthetic DMARD that slows down the progression of active rheumatoid arthritis by inhibiting the generation of inflammatory cytokines. According to our phase III clinical trials that commenced in 2008, Iremod administered as a monotherapy in rheumatoid arthritis patients has shown ACR20 (meaning at least a 20% improvement in rheumatoid arthritis symptoms) response rate of 63.8% at week 24. According to a randomized, double-blind, parallel-controlled clinical trial conducted in Japan in 2013, iguratimod administered in combination with other drugs in rheumatoid arthritis patients has shown an ACR20 response rate of 71.3% at week 52. According to our phase IV post-marketing clinical trials that commenced in 2012, Iremod administered in combination with other drugs in rheumatoid arthritis patients has demonstrated an ACR20 response rate of 71.9% at week 24. As an orally-administered chemical drug, Iremod is easier to administer and more affordable than biologic DMARDs that are costly and require intravenous or subcutaneous injections, offering the potential to significantly improve the symptoms of active rheumatoid arthritis patients.

Iguratimod has been recommended as the primary therapy drug for the treatment of active rheumatoid arthritis by a number of clinical practice guidelines. In particular, it has been recommended by the "Guidelines for the Diagnosis and Treatment of Rheumatoid Arthritis" issued by the Ministry of Health, Labor and Welfare of Japan in 2014, the "Rheumatoid Arthritis Treatment Guidelines" (《類風濕關節炎治療指南》) issued by the Asia Pacific League of Associations for Rheumatology in 2015 and 2018, the "Clinical Pathways for Rheumatoid Arthritis" (《類風濕性關節炎臨床路徑》) issued by the NHC in 2016 and the "China Rheumatoid Arthritis Diagnosis and Treatment Guidelines" (《中國類風濕關節炎診療指南》) issued by the Chinese Medical Association in 2018.

Iremod was developed by us in collaboration with an Independent Third Party, a pharmaceutical research institute in China, which was responsible for obtaining IND approval and providing us with necessary assistance in R&D and manufacturing process, while we were responsible for clinical trials and obtaining NDA approval. As of the Latest Practicable Date, we jointly-held one invention patent on the formulation of Iremod in the PRC, which was valid until 2023. As of the Latest Practicable Date, we also jointly-held four invention patents on the crystalline form of the API of Iremod in the PRC, which were valid until 2025. In addition, as of the Latest Practicable Date, we held one invention patent on the impurity of Iremod and the application of such impurity in the PRC, which was valid until 2029. Besides, we held one surrounding invention patent in connection with Iremod in the PRC as of the Latest Practicable Date.

Iguratimod has been included in the NRDL since 2017. Sales of Iremod accounted for 4.1%, 6.5%, 10.3% and 20.2% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Iremod increased from RMB159.0 million in 2017 to RMB520.2 million in 2019, representing a CAGR of 80.9%. Our revenue derived from sales of Iremod increased by 91.1% from RMB203.8 million for the six months ended June 30, 2019 to RMB389.5 million for the six months ended June 30, 2020.

According to Frost & Sullivan, in terms of sales revenue, the conventional synthetic DMARD market in China grew at a CAGR of 12.4% from 2015 to 2019, reaching RMB3.1 billion in 2019. Iguratimod was the third best-selling category of conventional synthetic DMARD in terms of sales revenue in 2019, with a market share of 18.4%, according to Frost & Sullivan.

The following table illustrates major competing drugs of Iremod approved for sale in China:

	Representative Product		Number of Other Manufacturers of Products with the Same	Earliest Year of NMPA	
Generic Name	**Brand Name**	**Manufacturer**	**Generic Name**	**Approval**	**NRDL Inclusion**
Hydroxychloroquine	Plaquenil	Sanofi	1	1995	Part B
Leflunomide	Airuohua (愛若華)	Changzheng-Xinkai (長徵 – 欣凱製藥)	7	2000	Part B
Mexthotrexate	N/A	Hengrui (恒瑞)	14	1995	Part A
Cyclophosphamide	N/A	Hengrui (恒瑞)	3	1996	Part A
Sylfasalazine	N/A	Sanjiu Tongda (同達藥業)	15	1990	Part A
Azathioprine	N/A	Aotuo Kang (奧托康製藥)	4	1996	Part A
Chloroquine	N/A	Huajin (華津製藥)	22	1982	Part A
Penicillamine	N/A	Shanghai Pharmaceuticals (上海信誼)	3	1995	Part A

Source: CDE, Frost & Sullivan analysis

Iremod can synergically enhance the therapeutic effect of slowing down the progression of active rheumatoid arthritis, when used in combination with other conventional synthetic DMARDs.

Iremod has received the following major awards and recognitions:

Awards and recognitions	Grantor	Year
National Major Scientific and Technological Special Project for Significant New Drugs Development during the 12th Five-year Plan Period (「十二五」國家重大新藥創制科技專項)	Implementation Management Office of Major Scientific and Technological Special Project for Significant New Drugs Development (重大新藥創制科技重大專項實施管理辦公室)	2012
National Torch Program Project (國家火炬計劃項目)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)	2013
First Class Award of Science and Technology Progress Prizes of Hainan Province (海南省科學技術進步一等獎)	People's Government of Hainan Province (海南省人民政府)	2014

Yingtaiqing (Diclofenac Sodium) 英太青® (雙氯芬酸鈉)

Included in the NRDL

Yingtaiqing (diclofenac sodium sustained-release capsules and gel) is a non-steroidal anti-inflammatory analgesic drug for the treatment and relief of pain caused by rheumatoid arthritis and osteoarthritis, soft tissue rheumatic pains and various mild and moderate body aches. It eases pain and reduces inflammation by blocking the effect of cyclooxygenase enzymes, which produce prostaglandins in the body that cause pain and inflammation. With its unique sustained-release pellet technology, it becomes effective within one hour and lasts up to 12 hours, providing fast and effective pain relief.

Non-steroidal anti-inflammatory drugs have been recommended as the primary therapy for osteoarthritis, rheumatoid arthritis and ankylosing spondylitis in the "Osteoarthritis Diagnosis and Treatment Guidelines" (《骨關節炎診療指南》) issued by Chinese Medical Association in 2018, and the "Clinical Pathways for Osteoarthritis" (《骨關節炎臨床路徑》), the "Clinical Pathways for Rheumatoid Arthritis" (《類風濕性關節炎臨床路徑》) and the "Clinical Pathways for Ankylosing Spondylitis" (《強直性脊柱炎臨床路徑》) issued by the NHC in 2016.

We currently sell and/or promote Yingtaiqing-branded sustained-release capsules and gel in China. During the Track Record Period, a substantial portion of the Yingtaiqing-branded sustained-release capsules that we sold and/or promoted were produced by a third-party manufacturer, CPU Pharma, pursuant to exclusive agreements with CPU Pharma. Please see "– Sales, Marketing and Distribution – Distribution and Promotion of Third-party Pharmaceutical Products" for more details. We have also obtained the NMPA approval to produce and sell

diclofenac sodium sustained-release capsules and gel in 2002 and 2005, respectively. However, pursuant to our non-competition undertaking to CPU Pharma which is in line with our general practice for other third-party pharmaceutical products, we agreed not to produce diclofenac sodium sustained-release capsules unless necessary to meet the requirements of PRC laws and regulations.

Diclofenac sodium sustained-release capsules have been included in the NRDL since 2004. Sales of Yingtaiqing accounted for 6.8%, 5.4%, 5.8% and 7.6% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, of which sales of Yingtaiqing-branded capsules contributed to a substantial portion. Our revenue derived from sales of Yingtaiqing increased from RMB261.5 million in 2017 to RMB289.9 million in 2019, representing a CAGR of 5.3%. Our revenue derived from sales of Yingtaiqing increased by 18.2% from RMB123.7 million for the six months ended June 30, 2019 to RMB146.2 million for the six months ended June 30, 2020.

According to Frost & Sullivan, in terms of sales revenue, the non-steroidal anti-inflammatory drug market in China grew at a CAGR of 13.6% from 2015 to 2019, while the mono-ingredient diclofenac sodium drug market in China grew at a CAGR of 11.0% during the same period, reaching RMB1.7 billion in 2019. We ranked the first in mono-ingredient diclofenac sodium drug market in China in terms of sales revenue in 2019, with a market share of 18.1%, according to Frost & Sullivan.

There are four major competing drugs of Yingtaiqing approved for sale in China , two of which are included in Part A of the NRDL while the remaining two are included in Part B of the NRDL, according to Frost & Sullivan.

Orencia® (abatacept injection) 恩瑞舒®(阿巴西普注射液)

Abatacept injection is for the treatment of moderate to severe rheumatoid arthritis. Abatacept injection is the first and only soluble CTLA4-Fc fusion protein approved for sale in China and the first and only selective T-cell co-stimulation modulator in the autoimmune disease therapeutic area worldwide, according to Frost & Sullivan. It prevents the activation of T cells by binding to the natural ligands CD80 and CD86 on antigen-presenting cells, thereby blocking their interaction with CD28 on the T cells, and consequently reduces inflammation. It may be used in combination with other DMARDs other than TNF-α inhibitors, such as methotrexate, to treat moderate to severe active rheumatoid arthritis patients who do not respond favorably to other DMARDs. Abatacept injection was developed by BMS and first approved for sale in the United States in 2005 under the Orencia brand. It has also been launched in Europe and Japan with global sales of US$3.2 billion in 2019, according to Frost & Sullivan. Abatacept injection obtained the IDL in China in January 2020 and we launched Orencia® (abatacept injection) in China in August 2020.

According to a US claims database, the risk of hospitalized infection of patients who use abatacept injection was 22.6% lower than the commonly used TNF-α inhibitors. According to a head-to-head comparison study in 2014, abatacept injection, when using in combination with methotrexate, indicates similar efficacy and higher safety profile compared with adalimumab, a TNF-α inhibitor, when using in combination with methotrexate for treatment of rheumatoid arthritis patients. In June 2019, BMS announced data from a phase IV mechanistic study exploring the differences between abatacept and adalimumab in interfering with disease progression in early moderate to severe rheumatoid arthritis patients seropositive for HLA-DRB1 shared epitope alleles. Trial results have shown higher efficacy responses from patients treated with abatacept.

The following table illustrates the biologics (other than abatacept injection) for treatment of rheumatoid arthritis approved for sale in China as of June 30, 2020, a majority of which are TNF-α inhibitors:

	Representative Product		Number of Other Manufacturers of Products with the	Earliest Year of NMPA	NRDL
Generic Name	**Brand Name**	**Manufacturer**	**Same Generic Name**	**Approval**	**Inclusion**
Infliximab	Remicade	Janssen (楊森)	0	2006	Part B
Adalimumab	Humira	Abbvie	2	2010	Part B
Etanercept	Enbrel	Pfizer	0	2010	Part B
Recombinant Human Tumor Necrosis Factor-α Receptor II-IgG Fc Fusion Protein	Yisaipu	Cp Guojian Pharmaceutical (三生國健)	2	2005	Part B
Golimumab	Simponi	Janssen (楊森)	0	2017	Part B
Certolizumab Pegol	Cimzia	UCB	0	2018	No
Tocilizumab	Actemra	Roche	0	2013	Part B

Source: Frost & Sullivan analysis

International multi-center studies indicate that patients treated by abatacept are exposed to a relatively low risk of tuberculosis. In addition, abatacept is more patient friendly as a pre-filled injection.

We have been collaborating with BMS on the development and commercialization of abatacept injection in China. Please see "– Our Collaboration Arrangements" for more details.

Cardiovascular Products

As of the Latest Practicable Date, our cardiovascular product portfolio comprised three products, including our major product, Softan. We also market and/or sell OLMETEC PLUS (olmesartan medoxomil and hydrochlorothiazide tablets) developed and manufactured by Daiichi Sankyo. Angiotensin II receptor blocker is the most prescribed category of anti-hypertensive pharmaceuticals worldwide according to Frost & Sullivan, while OLMETEC PLUS is a new-generation fixed-dose combination of an angiotensin II receptor blocker, olmesartan medoxomil, and a thiazide diuretic, hydrochlorothiazide, and an exclusive product in the PRC pharmaceutical market.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of cardiovascular products were RMB243.4 million, RMB353.1 million, RMB445.5 million and RMB181.9 million, respectively, accounting for 6.3%, 8.2%, 9.3% and 10.1% of our revenue from sales of pharmaceutical products for the same periods, respectively.

According to Frost & Sullivan, sales revenue of cardiovascular pharmaceuticals accounted for 13.0% of the overall pharmaceutical market in 2019. In terms of sales revenue, the cardiovascular pharmaceutical market in China grew at a CAGR of 7.5% from RMB158.8 billion in 2015 to RMB212.2 billion in 2019, and is expected to grow further at a CAGR of 3.3% from RMB217.5 billion in 2020 to RMB247.7 billion in 2024, according to Frost & Sullivan.

Softan (Rosuvastatin Calcium) 舒夫坦® (瑞舒伐他汀鈣)

Included in the NRDL, passed the consistency evaluation

Softan (rosuvastatin calcium tablets), our generic pharmaceutical, is a selective inhibitor of HMG-CoA reductase and a cholesterol lowering statin. Softan lowers the cholesterol level by increasing the number of receptors on liver cells to augment the uptake and catabolism of LDL while inhibiting the synthesis of VLDL in the liver, and thereby reducing both LDL and VLDL levels. Moreover, it can be used by patients to reduce the risk of cardiovascular diseases or the need for medical procedures to open blocked heart vessels.

It is used to treat patients with primary hypercholesterolemia (type IIa) or mixed dyslipidemia (type IIb) whose blood cholesterol levels cannot be properly controlled through dieting or other non-medication therapies. It can also be used as an adjunctive therapy for patients with homozygous familial hypercholesterolemia. The statin therapies for elevated lipid levels compared across doses to rosuvastatin trial shows that rosuvastatin is more effective in lowering low-density cholesterol than other commonly used statins. The originator product of Softan was developed by AstraZeneca and was launched in China in 2004.

Rosuvastatin calcium has been included in a number of clinical practice guidelines in China as a recommended therapy drug for dyslipidemia, including the "China Adults Dyslipidemia Prevention and Treatment Guidelines (2016 Revised)" (《中國成人血脂異常防治指南 (2016修訂版)》) issued by a joint commission of multi-disciplinary experts and the "Guidelines for Rational Drug Use for Dyslipidemia (2019)" (《血脂異常合理用藥指南(2019版)》) issued by the NHC. Meanwhile, it has been recommended by various clinical practice guidelines in the United States, Canada and the European Union as the first-line treatment for lowering blood cholesterol, such as the "Canadian Guidelines for the Diagnosis and Treatment of Dyslipidemia and Prevention of Cardiovascular Disease in the Adult" issued by Canadian Cardiovascular Society in 2009, and the "Guidelines on the Management of Blood Cholesterol" issued by the American College of Cardiology and the American Heart Association in 2013 and 2018.

Softan was developed by an Independent Third Party, which is a company primarily engaged in the R&D, production and sale of pharmaceuticals in China, and we obtained its generic drugs approval in March 2010. As of the Latest Practicable Date, we held one surrounding invention patent in connection with Softan in the PRC.

Rosuvastatin has been included in the NRDL since 2009. Sales of Softan accounted for 4.6%, 6.2%, 6.6% and 6.3% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Softan increased from RMB179.2 million in 2017 to RMB334.9 million in 2019, representing a CAGR of 36.7%. Our revenue derived from sales of Softan decreased by 27.1% from RMB166.9 million for the six months ended June 30, 2019 to RMB121.6 million for the six months ended June 30, 2020.

According to Frost & Sullivan, in terms of sales revenue, the rosuvastatin market in China grew at a CAGR of 12.7% from 2015 to 2019, reaching RMB6.8 billion in 2019. We were the fifth largest player in the rosuvastatin drug market in China in terms of sales revenue in 2019, with a market share of 5.4%, according to Frost & Sullivan.

There are four major competing drugs of Softan approved for sale in China, all of which are included in Part B of the NRDL, according to Frost & Sullivan.

Anti-Infective Products

As of the Latest Practicable Date, our anti-infective product portfolio comprised 11 products, including our major products, Newanti and ZAILIN. Our anti-infective product portfolio also includes our ZAILIKE-branded arbidol dispersible tablets, broad-spectrum anti-viral for treatment of influenza. Arbidol has been included in the NRDL in 2019. Arbidol is a hemagglutinin fusion inhibitor and was proven to be effective against viruses resistant to oseltamivir, a neuraminidase inhibitor. Arbidol is recommended by the NHC in its "Guidelines for the Diagnosis and Treatment of Influenza (2019 Edition)" (《流行性感冒診療方案(2019年版)》) and "Guidelines for the Diagnosis and Treatment of COVID-19 (Sixth/Seventh Editions for Trial Implementation)" (《新冠肺炎診療方案(試行第六版、第七版)》).

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sales of anti-infective products were RMB564.7 million, RMB579.5 million, RMB635.7 million and RMB211.2 million, respectively, accounting for 14.7%, 13.4%, 13.2% and 11.7% of our revenue from sales of pharmaceutical products for the same periods, respectively.

According to Frost & Sullivan, sales revenue of anti-infective pharmaceuticals accounted for 13.8% of the overall pharmaceutical market in 2019. In terms of sales revenue, the anti-infective market in China grew at a CAGR of 3.6% from RMB195.8 billion in 2015 to RMB225.5 billion in 2019, and is expected to grow further at a CAGR of 3.2% from RMB230.0 billion in 2020 to RMB260.7 billion in 2024.

Newanti® (Biapenem) 安信® (比阿培南)

First-to-market generic pharmaceutical, included in the NRDL

Newanti (biapenem for injection), our first-to-market generic pharmaceutical, is a new-generation carbapenem antibiotic for injection and the first biapenem pharmaceutical product approved for sale in China, according to Frost & Sullivan. Newanti is used for the treatment of moderate to severe bacterial infections, such as septicemia, pneumonia and lung abscess caused by sensitive bacteria, secondary infections caused by chronic respiratory disease, refractory cystitis, pyelonephritis, peritonitis and annexitis. It is primarily used to treat critically-ill, hospitalized patients suffering from serious infections, and is predominantly consumed in hospitals' intensive care units and respiratory and hematology departments. According to a 2012 clinical research jointly conducted by the Guangzhou Institute of Respiratory Diseases (廣州呼吸疾病研究所) and us, Newanti has stronger in-vitro antibacterial activity for multiple strains of common bacteria, compared to meropenem and imipenem, its competing products. According to independent clinical trial reports issued in 2012, biapenem is more effective in treating moderate to severe lower respiratory infection with lower incidence of adverse events in central nervous system, as compared to imipenem/cilastatin. According to independent clinical trial reports issued in 2016, biapenem indicates similar efficacy and safety profile in treating lower respiratory infection, complicated urinary tract infection and complex intra-abdominal infection, as compared to meropenem and imipenem/cilastatin. The originator product of Newanti was developed by Meiji Seika and was approved in Japan in 2001.

Biapenem has been recommended as a primary carbapenem antibiotic in a number of clinical practice guidelines, including the "National Guidelines for Antimicrobial Therapy" (《國家抗微生物治療指南》) issued by NHC in 2012, the "Guidelines for Clinical Application of Antibacterial Drugs (2015)" (《抗菌藥物臨床應用指導原則2015年版》) issued by NHC, the "China Adults Community-Acquired Pneumonia Diagnosis and Treatment Guidelines (2016)" (《中國成人社區獲得性肺炎診斷和治療指南(2016版)》) and the "China Adults Hospital-Acquired Pneumonia and Ventilator-Associated Pneumonia Diagnosis and Treatment Guidelines (2018)" (《中國成人醫院獲得性肺炎與呼吸機相關性肺炎診斷和治療指南(2018版)》), and the "Consensus among Experts on Diagnosis and Treatment for End-Stage Liver

Disease with Infection (2018)" (《終末期肝病合併感染診治專家共識(2018版)》) issued by Chinese Medical Association. Moreover, biapenem has also been recommended by the "Guidelines for Treatment of Respiratory Tract Infection" issued by the Japanese Association for Infectious Diseases and Japanese Society of Chemotherapy in Japan in 2016.

Newanti was developed by us in collaboration with an Independent Third Party, a company primarily engaged in the R&D, production and sale of pharmaceutical chemicals and intermediates in China, which was responsible for obtaining IND approval and providing us with necessary assistance in R&D and manufacturing process, while we were responsible for clinical trials and obtaining NDA approval. As of the Latest Practicable Date, we held one invention patent on the impurity of Newanti and the application of such impurity in the PRC, which was valid until 2027. As of the Latest Practicable Date, we also held one invention patent on the preparation method of the API of Newanti in the PRC, which was valid until 2026.

Biapenem has been included in the NRDL since 2009. Sales of Newanti accounted for 6.6%, 5.7%, 5.6% and 5.2% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of Newanti increased from RMB257.1 million in 2017 to RMB283.9 million in 2019, representing a CAGR of 5.1%. Our revenue derived from sales of Newanti decreased by 27.0% from RMB136.9 million for the six months ended June 30, 2019 to RMB99.9 million for the six months ended June 30, 2020.

According to Frost & Sullivan, in terms of sales revenue, the carbapenem drug market in China grew at a CAGR of 6.6% from 2015 to 2019 in terms of sales revenue, while the biapenem drug market in China, being its third largest segment, grew at a CAGR of 2.1% during the same period, reaching RMB1.0 billion in 2019. Newanti ranked second in the biapenem drug market in China in terms of sales revenue in 2019, with a market share of 32.5%, according to Frost & Sullivan.

There are four major competing drugs of Newanti approved for sale in China, all of which are included in Part B of the NRDL, according to Frost & Sullivan.

The research and development of Newanti was funded by the technology fund allocated by the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) and the Department of Finance of Jiangsu Province (江蘇省財政廳) in 2009. Newanti was awarded the "High and New Technology Product of Jiangsu (江蘇省高新技術產品)" by the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in 2014.

ZAILIN® (Amoxicillin) 再林® (阿莫西林)

Included in the NRDL, certain dosage forms passed consistency evaluation

ZAILIN is the brand name for our line of generic amoxicillin antibiotics in dosage forms including capsules, dispersible tablets and granules. Amoxicillin is a type of semi-synthetic penicillin β-lactam antibiotic used for the treatment of various bacterial infections, such as upper respiratory infection of tympanitis, nasosinusitis, pharyngitis and amygdalitis, lower

respiratory infection of acute bronchitis and pneumonia, urogenital infections and skin/soft tissue infections. Amoxicillin has been widely recommended in almost all the major clinical practice guidelines on the use of antibiotics.

ZAILIN granules and capsules were developed by Hainan Simcere, with their generic drugs approvals obtained before our acquisition of Hainan Simcere in April 2001. ZAILIN dispersible tablets were developed by Benyuan Dongyuan before it became our subsidiary in June 2003. As of the Latest Practicable Date, we held one invention patent on the formulation and preparation method of ZAILIN in the PRC, which was valid until 2030.

Amoxicillin has been included in the NRDL since 2004. Sales of ZAILIN accounted for 4.9%, 4.2%, 4.0% and 2.8% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our revenue derived from sales of ZAILIN increased from RMB189.2 million in 2017 to RMB199.7 million in 2019, representing a CAGR of 2.7%. Our revenue derived from sales of ZAILIN decreased by 41.9% from RMB93.9 million for the six months ended June 30, 2019 to RMB54.6 million for the six months ended June 30, 2020.

According to Frost & Sullivan, in terms of sales revenue, the mono-ingredient amoxicillin drug market in China grew at a CAGR of 1.2% from 2015 to 2019, reaching RMB3.0 billion in 2019. We were the fourth largest manufacturer in the mono-ingredient amoxicillin drug market in China in terms of sales revenue in 2019, with a market share of 7.1%, according to Frost & Sullivan.

There are four major competing drugs of ZAILIN approved for sale in China, all of which are included in Part A of the NRDL, according to Frost & Sullivan.

ZAILIN granules were awarded the "High and New Technology Product of Hainan (海南省高新技術產品)" by the Department of Science and Technology of Hainan Province (海南省科學技術廳) in 2012.

Other Products

We currently sell and/or promote a number of other pharmaceutical products, such as our Biqi-branded diosmectite powder, our anti-diarrhea products, which have obtained EU GMP certification and are currently sold in both China and the Europe. We also sell a number of APIs, such as diosmectite. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, sales of other products were RMB324.6 million, RMB356.9 million, RMB399.6 million and RMB157.7 million, respectively, accounting for 8.5%, 8.3%, 8.3% and 8.7% of our revenue from sales of pharmaceutical products for the same periods, respectively.

KN035 (Envafolimab)

We entered into collaboration agreements with Jiangsu Alphamab and 3D Medicines in March 2020, which have granted us the exclusive right to promote KN035 for all oncology indications in China. Please see "– Our Collaboration Arrangements." KN035 is potentially the first subcutaneously injectable anti-PD-L1 monoclonal antibody worldwide and is expected to be the first anti-PD-L1 monoclonal antibody for MSI-H solid tumors or BTC approved for sale in the PRC, according to Frost & Sullivan. Our collaboration partners are currently conducting phase II clinical trials of KN035 for dMMR/MSI-H colorectal carcinoma and other advanced solid tumors and phase III clinical trials for advanced BTC in mainland China as well as phase I clinical trials in the United States and Japan. KN035 is expected to submit NDA in the second half of 2020 and launch in the PRC market in 2021.

As a subcutaneously injectable anti-PD-L1 monoclonal antibody, we believe that KN035 may reach a broader patient group and could be a more valuable option for patients with advanced solid tumors who are not suitable for intravenous infusion. With its unique molecule design and approximately half of the clinical dosage of other anti-PD-L1 monoclonal antibodies launched in the market, KN035 has shown similar efficacy and safety profile. In particular, according to the clinical data released at the 2020 annual meeting of the American Society of Clinical Oncology, KN035 has demonstrated an ORR of 34.0% for dMMR/MSI-H advanced solid tumors and an ORR of 54.2% in the colorectal cancer patients who had prior therapy with fluoropyrimidine and oxaliplatin or irinotecan. In combination with FOLFOX, as a first-line therapy for advanced gastric cancer and gastroesophageal borderline tumor, the ORR is 60% and the median PFS is 6.8 months.

In addition to dMMR/MSI-H solid tumors and BTC, Jiangsu Alphamab and 3D Medicines are currently exploring opportunities to extend the indications of KN035 to other tumors. We plan to collaborate with Jiangsu Alphamab and 3D Medicines to develop a number of combination therapies with KN035 for the treatment of solid tumors, in order to further enhance the competitiveness of KN035.

According to Frost & Sullivan, the sales revenue of the PD-1/PD-L1 mAb market in China is expected to grow rapidly at a CAGR of 56.1% from RMB13.8 billion in 2020 to RMB81.9 billion in 2024. We expect KN035 has vast market potential and its launch will continue to allow us to capture market share in the oncology pharmaceutical market in China.

Our Product Pipeline

We employ a market-oriented approach to R&D, addressing significant unmet medical needs. Generic pharmaceuticals contributed a substantial portion of our revenue during the Track Record Period. In the next few years, we also expect to submit or obtain the generic drugs approval or IDL application for 17 selected generic pharmaceutical and biosimilar candidates. Nevertheless, in recent years, we have been strategically focusing our R&D efforts on, and continuously increasing our investment in R&D on, innovative pharmaceuticals in oncology, central nervous system disease and autoimmune disease therapeutic areas. We have accumulated extensive R&D experience, and, as a result of the efforts of our in-house R&D

team and collaboration with our domestic and international R&D partners, we have successfully developed and brought to the PRC market a number of technologically advanced innovative and first-to-market generic pharmaceuticals.

Generic Product Pipeline

Our generic product pipeline centers around high entry-barrier and first-to-market generic pharmaceuticals with significant unmet clinical needs and market demand primarily in oncology, central nervous system disease and autoimmune disease therapeutic areas, while we also maintain a balanced pipeline of generic pharmaceutical candidates in other therapeutic areas. The selected generic pharmaceutical and biosimilar candidates for which we expect to submit or obtain the generic drugs approval or IDL application in the next few years are set out below:

Therapeutic area	Product candidate	Classification	Intended indication(s)	Collaboration with R&D partner(s)	Clinical trials requirement	Status
Oncology:	Bevacizumab (贝伐珠單抗)	Biologics – biosimilar	Advanced non-squamous NSCLC	Yes	Phase III clinical trials	Phase III clinical trials
	Bendamustine hydrochloride for injection (注射用鹽酸苯達莫司汀)	Chemical drug	Chronic lymphocytic leukemia, non-Hodgkin's lymphoma	N/A	Phase III clinical trials (for 25mg); N/A (for 100mg)	Generic drugs approval application filed
	Lenvatinib mesilate capsules (甲磺酸侖伐替尼膠囊)	Chemical drug	Unresectable hepatocellular carcinoma	N/A	Bioequivalence tests	Generic drugs approval application filed
	Palbociclib capsules (哌柏西利膠囊)	Chemical drug	Locally advanced or metastatic breast cancer	N/A	Bioequivalence tests	Generic drugs approval application filed
	Ibrutinib capsules (伊布替尼膠囊)	Chemical drug	Mantle cell lymphoma	N/A	Bioequivalence tests	Bioequivalence tests
	Cabozantinib s-malate tablets (蘋果酸卡博替尼片)	Chemical drug	Advanced renal cell carcinoma	N/A	Bioequivalence tests	Bioequivalence tests
	Relugolix tablets (瑞盧戈利片)	Chemical drug	Uterine fibroids	N/A	Bioequivalence tests	CMC
Central nervous system diseases:	Batroxobin injection (巴曲酶注射液)	Chemical drug	Acute cerebral infarction, chronic arterial occlusion, sudden deafness	N/A	Phase III clinical trials	CMC
Autoimmune diseases:	Celecoxib capsules (塞來昔布膠囊)[(1)]	Chemical drug	Osteoarthritis, rheumatoid arthritis, ankylosing spondylitis, acute pain	N/A	Bioequivalence tests	ANDA obtained in the U.S.
	Apremilast tablets (阿普斯特片)	Chemical drug	Chronic plaque psoriasis, active psoriatic arthritis	N/A	Bioequivalence tests	Generic drugs approval application filed

Therapeutic area	Product candidate	Classification	Intended indication(s)	Collaboration with R&D partner(s)	Clinical trials requirement	Status
Others:	Cinacalcet hydrochloride tablets (鹽酸西那卡塞片)(2)	Chemical drug	Secondary hyperparathyroidism in patients with chronic kidney disease on dialysis	Collaboration with Fujian Haixi Pharmaceutical Co., Ltd. (福建海西新藥創制有限公司)	Bioequivalence tests	Generic drugs approval application filed
	Sevelamer carbonate tablets (碳酸司維拉姆片)(2)	Chemical drug	Hyperphosphatemia in adult patients with chronic kidney diseases	N/A	N/A	Generic drugs approval application filed
	Voriconazole for injection (注射用伏立康唑)	Chemical drug	Invasive aspergillosis, candidemia (nonneutropenics) and disseminated candidiasis, esophageal candidiasis, serious infections caused by scedosporium apiospermum and fusarium species including fusarium solani	N/A	Bioequivalence tests	CMC
	Posaconazole injection/enteric-coated tablets/oral suspension (泊沙康唑注射液/腸溶片/口服混懸液)	Chemical drug	Invasive aspergillus and candida infections	N/A	Bioequivalence tests	Bioequivalence tests (for injections); CMC (for enteric-coated tablets and oral suspensions)
	Salmeterol xinafoate and fluticasone propionate powder for inhalation (沙美特羅替卡松吸入粉霧劑)	Chemical drug	Asthma and COPD	Collaboration with Celon Pharma	Bioequivalence tests and phase III clinical trials	Bioequivalence tests and phase III clinical trials
	Nifedipine controlled-release tablets (硝苯地平控釋片)	Chemical drug	Hypertension, coronary heart disease, chronic stable angina	N/A	Bioequivalence tests	Generic drugs approval application filed
	Ferric carboxymaltose injection (羧基麥芽糖鐵注射劑)	Chemical drug	Iron-deficiency anemia	N/A	Bioequivalence tests	CMC

Notes:

(1) We have obtained the ANDA approval for celecoxib capsules in the United States from the U.S. FDA.

(2) For cinacalcet hydrochloride tablets and sevelamer carbonate tablets, we are the third to apply for the generic drugs approval (category IV generic pharmaceutical) in China, according to Frost & Sullivan.

Below is a description of certain of our selected generic pharmaceutical and biosimilar candidates:

1. Bevacizumab (貝伐珠單抗)

We are collaborating with Amgen for the development, manufacturing and commercialization of our biosimilar product candidate to bevacizumab, which is intended for the treatment of advanced non-squamous NSCLC. Please see "– Our Collaboration Arrangements." Bevacizumab is a recombinant fully-humanized monoclonal antibody that inhibits angiogenesis (the formation of new blood vessels) by blocking the action of VEGF and depresses the growth of solid tumors. The global sales of bevacizumab reached US$7.12 billion in 2019, according to Frost & Sullivan, while bevacizumab biosimilars have been launched in Europe and the United States. We are currently conducting pivotal registrational trials for this product candidate in China and expect to file the IDL application by the end of 2022. According to Frost & Sullivan, the first bevacizumab biosimilar in China was launched in 2020 and sales revenue of the bevacizumab biosimilar market in China is expected to reach RMB7.7 billion in 2025.

2. Lenvatinib Mesilate Capsules (甲磺酸侖伐替尼膠囊)

Lenvatinib is a multiple tyrosine kinase inhibitor which functions by inhibiting VEGF receptors, fibroblast growth factor receptors, platelet-derived growth factor receptors and other proto-oncogenes, intending for treatment of patients with unresectable hepatocellular carcinoma who haven't received systemic therapies. As evidenced by a multi-center, open-label, phase III clinical trial named REFLECT, lenvatinib demonstrated significantly superior median OS, median PFS, median TTP and ORR in hepatocellular carcinoma patients in China as compared to sorafenib, therefore being acclaimed as a breakthrough therapy. According to Frost & Sullivan, hepatocellular carcinoma incidence in China increased from 333.0 thousand in 2015 to 369.4 thousand in 2019 with a CAGR of 2.6%, and is forecasted to reach 416.5 thousand in 2024, indicating increasing market demand for relevant pharmaceuticals. We applied for the generic drugs approval (category IV generic pharmaceutical) for our lenvatinib mesilate capsules in December 2019, being the second to apply for such approval in China, according to Frost & Sullivan.

3. Palbociclib Capsules (哌柏西利膠囊)

Palbociclib is a CDK4/6 inhibitor which functions by inhibiting CDK4/6 activity and resuming cell cycle control, thereby preventing tumor cell proliferation. Palbociclib has been designated as a breakthrough therapy by the U.S. FDA, and has been recommended by the National Comprehensive Cancer Network, a not-for-profit alliance of leading cancer centers in the United States, as a first-line therapy, when used in combination with aromatase inhibitors, for postmenopausal female patients with hormone receptor (HR) positive, human epidermal growth factor receptor 2 (HER2) negative, recurrent or metastatic breast cancer. According to Frost & Sullivan, breast cancer

incidence in China increased from 304.0 thousand in 2015 to 326.2 thousand in 2019 with a CAGR of 1.8%, and is forecasted to reach 351.5 thousand in 2024. Approximately 60% of breast cancer patients in China are recorded as HR-positive and HER2-negative, according to Frost & Sullivan. Considering that a large portion of breast cancer patients in China are recorded as or deteriorate to advanced stage with short median survival time and low five-year survival rate, we expect this product candidate to address vast unmet market demand and benefit breast cancer patients. We applied for the generic drugs approvals (category IV generic pharmaceutical) for all specifications of our palbociclib capsules in February 2020 and April 2020, respectively, being the second to apply for such approvals in China, according to Frost & Sullivan.

4. Apremilast Tablets (阿普斯特片)

Apremilast is an orally-administered phosphodiesterase-4 (PDE4) inhibitor intended for treatment of (i) adult patients with moderate to severe chronic plaque psoriasis who have contraindication for, intolerance of, or no response to, other systemic therapies; and (ii) either individually or in combination with DMARDs, adult patients with active psoriatic arthritis who have contraindication for or no response to DMARDs. Apremilast demonstrates efficacy comparable to biological DMARDs such as etanercept, with fewer side effects as compared to traditional oral medications for psoriasis, such as methotrexate. According to Frost & Sullivan, prevalence of plaque psoriasis in China increased from 5.8 million in 2015 to 5.9 million in 2019 with a CAGR of 0.5%, and is forecasted to reach 6.1 million in 2024. Among plaque psoriasis patients, approximately 50% suffer mild to severe symptoms. Meanwhile, prevalence of active psoriatic arthritis in China increased from 988.1 thousand in 2015 to 1,009.1 thousand in 2019 with a CAGR of 0.5%, and is forecasted to reach 1,034.3 thousand in 2024. We applied for the generic drugs approval (category III generic pharmaceutical) for our apremilast tablets in May 2020, being the second to apply for such approval in China, according to Frost & Sullivan. Apremilast has been included in the "List of the Overseas New Drugs Urgently Needed in Clinical Settings" (《臨床急需境外新藥名單》).

5. Nifedipine Controlled-release Tablets (硝苯地平控釋片)

Nifedipine controlled-release tablets are intended for treatment of hypertension, coronary heart disease and chronic stable angina. Utilizing osmotic pump laser-beam drilling technology, our nifedipine controlled-release tablets can steadily release drugs in 16 to 18 hours and maintain a stable plasma concentration for 24 hours or more, thereby mitigating fluctuations of blood pressure, as well as averting adverse reactions caused by over-concentration of plasma as a result of burst release. We applied for the generic drugs approval (category IV generic pharmaceutical) for our nifedipine controlled-release tablets in February 2020, being the second to apply for such approval in China, according to Frost & Sullivan.

Innovative Product Pipeline

As of the Latest Practicable Date, we had a pipeline of nearly 50 innovative product candidates in different stages of development which we are either internally developing or developing in collaboration with R&D partners. The following table sets forth selected information of our key innovative product candidates:

Therapeutic area	Product candidate	Classification	Target/ mechanism	Intended indication(s)	Internally developing/ developing in collaboration with R&D partner(s)	Status
Oncology	Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection) (賽伐珠單抗(注射用人源化抗VEGF單克隆抗體))	Biologics	VEGF	Ovarian cancer	Collaboration with Apexigen	Phase I clinical trials
	PEG-ENDO (Pegylated recombinant human endostatin for injection)	Biologics	Angiogenesis pathway	Advanced NSCLC	Internally developing	Phase Ib clinical trials
	CD19 CAR T-cell therapy (Indication 1)	Biologics – cell therapy	CD19	r/r CD19 positive non-Hodgkin's lymphoma	Collaboration with Immunochina	Phase I clinical trials(1)
	Docetaxel polymeric micelles for injection	Small molecule drug(2)	Tubulin inhibitor	Solid tumors	Collaboration with Hightechbio	Phase I clinical trials
	CD19 CAR T-cell therapy (Indication 2)	Biologics – cell therapy	CD19	r/r CD19 positive B-cell acute lymphoblastic leukemia	Collaboration with Immunochina	IND approval obtained(1)
	BCMA CAR T-cell therapy	Biologics – cell therapy	BCMA	r/r multiple myeloma	Collaboration with PREGENE	IND approval obtained(1)
	SIM - 201	Small molecule drug	NTRK/ROS1	Solid tumors	Internally developing	IND approval obtained
	Trilaciclib	Small molecule drug	CDK4/6	Chemotherapy-induced myelosuppression	Collaboration with G1 Therapeutics	Preparation for IND application → *R&D partner has filed NDA for the indication of chemotherapy-induced myelosuppression in SCLC in U.S.. Trilaciclib was designated as a breakthrough therapy by the U.S. FDA*
	SIM - 325	Biologics – cell therapy	HPV-16 E6 oncoprotein	Cervical cancer, head and neck cancer	Collaboration with TCRCure Beijing	Pre-clinical
	Subcutaneous PD-L1 single domain antibody combination therapy – 1	Biologics	PD-L1/ sevacizumab	Solid tumors	Collaboration with Jiangsu Alphamab and 3D Medicines	Pre-clinical
	Subcutaneous PD-L1 single domain antibody combination therapy – 2	Biologics	PD-L1/ lenvatinib (generic pharmaceutical)	Solid tumors	Collaboration with Jiangsu Alphamab and 3D Medicines	Pre-clinical
	SIM - 323	Biologics	CD80/IL2	Solid tumors	Collaboration with GI Innovation	Pre-clinical
	SIM - 235	Biologics	TNFR2	Solid tumors	Internally developing	Pre-clinical
	SIM - 237	Biologics	PD-L1/IL15	Solid tumors	Internally developing	Pre-clinical
	SIM - 270	Small molecule drug	Estrogen receptor	Breast cancer	Internally developing	Pre-clinical
	SIM - 200	Small molecule drug	EGFR	NSCLC	Internally developing	Pre-clinical
	SIM - 236	Biologics	PD-L1/TGFβR	Solid tumors	Internally developing	Pre-clinical
	SIM - 203 - 1	Biologics	Undisclosed	Solid tumors	Collaboration with Merus	Pre-clinical
	SIM - 203 - 2	Biologics	Undisclosed	Solid tumors	Collaboration with Merus	Pre-clinical
	SIM - 203 - 3	Biologics	Undisclosed	Solid tumors	Collaboration with Merus	Pre-clinical
Central nervous system	Y-2 sublingual tablets (Y-2舌下片)	Small molecule drug	Free radicals and inflammatory cytokines	Acute ischemic stroke	Collaboration with YenePharma	Phase I clinical trials → *R&D partner has initiated phase I clinical trials in U.S.*
	SIM-307	Small molecule drug	AQP4	Cerebral edema caused by stroke	Collaboration with Aeromics	Preparation for IND application → *R&D partner has completed phase I clinical trials in U.S.*
	SIM-339	Small molecule drug - peptide therapeutics	DAPK1	Cerebral infarction	Collaboration with Primary Peptides	Pre-clinical
Autoimmune	SIM-335	Small molecule drug	Multiple cytokines	Psoriasis	Internally developing	IND approval obtained
	Iguratimod tablets (New indication) (艾拉莫德片(新適應症))	Small molecule drug	Inflammatory cytokines and immunoglobulins	Sjögren's syndrome	Internally developing	IND approval obtained
	SIM-295	Small molecule drug	URAT1	Gout with hyperuricemia	Collaboration with JW Pharmaceutical	IND application submitted → *R&D partner has initiated phase IIb clinical trials in South Korea*

Notes:

(1) Phase II clinical trials could be used as the pivotal trials for NDA submission.

(2) Docetaxel polymeric micelles for injection is classified as a new formulation drug.

Our oncology product candidates primarily focus on solid tumors and hematologic malignancies, including (i) monoclonal antibodies with a number of angiogenesis inhibitors, which will not only further solidify our market position in the relevant sectors, and also enable us to explore combination therapies with immune checkpoint inhibitors; (ii) small molecule drugs that target cancer driver genes; and (iii) cell therapy products which have the potential to offer novel and curative treatment to patients with hematologic malignancies. Our central nervous system product candidates aim to offer full-cycle medications for patients with stroke, from the relief and early treatment of mild to moderate acute stroke, maintenance treatment after patient discharge, and to the treatment of cerebral edema caused by severe stroke. Our autoimmune product candidates consist of both new drugs and existing drugs with new indications, targeting major indications that have significant unmet medical needs, including rheumatoid arthritis, Sjögren's syndrome, psoriasis and gout.

Below is a description of certain of our key innovative product candidates:

Oncology Product Candidates

1. Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection) (賽伐珠單抗(注射用人源化抗VEGF單克隆抗體))

Sevacizumab is a new-generation recombinant humanized anti-VEGF monoclonal antibody intended for the treatment of ovarian cancer. This product candidate targets the pro-angiogenic function of VEGF and thereby inhibits the angiogenesis, growth and metastasis of tumors. In its pre-clinical studies, it has shown higher tumor suppression efficacy in multiple cancer models, compared to bevacizumab at the same dose. We are currently conducting phase I clinical trials for this product candidate in China and the preliminary results have shown a favorable safety profile and early efficacy signals. We expect to initiate phase II/III clinical trials in 2021, and we expect such clinical trials to be completed in 2023.

According to Frost & Sullivan, ovarian cancer incidence in China grew at a CAGR of 1.8% from 50.2 thousand in 2015 to 53.9 thousand in 2019 and is expected to further grow further at a CAGR of 1.5% from 54.8 thousand in 2020 to 58.1 thousand in 2024. As of June 30, 2020, there were two targeted therapy drugs for ovarian cancer approved for sale in China, according to Frost & Sullivan. In addition, there were 12 targeted therapy drug candidates for ovarian cancer pending NDA approval or at clinical stages in China as of June 30, 2020, among which six are biologics, including our sevacizumab, and six are chemical drugs, according to Frost & Sullivan.

We are collaborating with Apexigen on the development and commercialization of this product candidate. Please see "– Our Collaboration Arrangements."

2. PEG-ENDO (Pegylated recombinant human endostatin for injection)

PEG-ENDO is our innovative biologic drug candidate, which we have been developing in-house, as an improved version of Endostar, one of our major products. This product candidate enhances the pharmacokinetic properties of recombinant human endostatin by conjugation with a methoxy polyethylene glycol aldehyde, while retaining its biological activities. Pharmacodynamic studies in animal models have demonstrated that this product candidate can significantly enhance the effects of chemotherapy in multiple cancer models when used in combination with chemotherapy drugs. We are currently conducting phase Ib clinical trials for this product candidate in China and expect such clinical trials to be completed in 2021. We expect to initiate phase III clinical trials in late 2021 and expect such clinical trials to be completed by the end of 2023.

3. CD19 CAR T-cell Therapies

CD19 CAR T-cell therapies are innovative genetically modified cell therapies for the treatment of r/r CD19 positive B-cell non-Hodgkin's lymphoma and r/r CD19 positive B-cell acute lymphoblastic leukemia. Chimeric antigen receptor T cells, or CAR T-cells, represent T cells that have been genetically engineered to express an artificial T-cell receptor and therefore become able to target a specific antigen. As a biomarker for B cells, CD19 is expressed at normal to high levels in a majority of B cell malignancies, including non-Hodgkin's lymphoma and acute lymphoblastic leukemia. CD19 CAR T-cells specifically recognize and target CD19 and kill tumor cells. Investigator-initiated clinical trials for lymphoma have shown a 6-month ORR of 53% and the median PFS of nine months, which are comparable to Yescarta and Kymriah.

We have obtained the IND approval for our CD19 CAR T-cell therapy candidates. For our CD19 CAR T-cell therapy candidate of r/r CD19 positive B-cell non-Hodgkin's lymphoma indication, we initiated phase I clinical trials in August 2020 and expect such clinical trials to be completed by the end of 2020. We expect to initiate phase II clinical trials in early 2021 and expect such clinical trials to be completed by the end of 2021. For our CD19 CAR T-cell therapy candidate of r/r CD19 positive B-cell acute lymphoblastic leukemia indication, we plan to initiate phase I clinical trials in 2021 and expect such clinical trials to be completed in early 2022. We expect to initiate phase II clinical trials in mid 2022 and expect such clinical trials to be completed in 2023. Phase II clinical trials could be used as the pivotal trials for NDA submission and we expect to submit the NDA for our CD19 CAR T-cell therapy candidates in China in 2022 and 2023, respectively.

According to Frost & Sullivan, B-cell CD19-positive acute lymphoblastic leukemia incidence in China grew at a CAGR of 1.6% from 8.8 thousand in 2015 to 9.4 thousand in 2019, and is expected to grow further at a CAGR of 1.5% from 9.6 thousand in 2020 to 10.2 thousand in 2024. Meanwhile, B-cell CD19-positive non-Hodgkin's lymphoma incidence in China grew at a CAGR of 2.6% from 62.3 thousand in 2015 to 69.1 thousand in 2019, and is forecasted to grow further at a CAGR of 2.4% from 70.8 thousand in 2020 to 77.9 thousand in 2024, according to Frost & Sullivan. As of June 30, 2020, there were

two CAR T-cell therapy drugs approved for sale outside of China with their global sales revenue totalling USD734 million in 2019. As of June 30, 2020, there was no CAR T-cell therapy drug approved for sale in China, while there were 16 CAR T-cell therapy drug candidates at clinical stages in China, according to Frost & Sullivan.

We are collaborating with Immunochina on the development and commercialization of such product candidates. Please see "– Our Collaboration Arrangements."

4. BCMA CAR T-cell Therapy

BCMA CAR T-cell therapy is an innovative genetically modified cell therapy for the treatment of r/r multiple myeloma. BCMA CAR T-cells specifically recognize and target B cell maturation antigen (BCMA), a cell surface protein predominantly expressed on malignant plasma cells, and kill tumor cells. Investigator-initiated clinical trials have shown an ORR of 88% and a CR of over 50% on patients with r/r myeloma. We have obtained the IND approval for this product candidate and plan to initiate phase I clinical trials in China in the second half of 2020. We expect to initiate phase II clinical trials in early 2022 and expect such clinical trials to be completed by the end of 2022. Phase II clinical trials could be used as the pivotal trials for NDA submission and we expect to submit the NDA for this product candidate in China in 2023.

According to Frost & Sullivan, multiple myeloma incidence in China grew at a CAGR of 3.1% from 18.3 thousand in 2015 to 20.7 thousand in 2019 and is expected to further grow at a CAGR of 2.8% from 21.3 thousand in 2020 to 23.8 thousand in 2024.

We are collaborating with PREGENE on the development and commercialization of this product candidate. Please see "– Our Collaboration Arrangements."

5. Trilaciclib

Trilaciclib is our innovative chemical drug candidate for the treatment of chemotherapy-induced myelosuppression of patients with SCLC or certain other solid tumors. By transiently maintaining hematopoietic stem cells and progenitor cells in G1 phase of cell cycle, Trilaciclib can effectively protect bone marrow stem cells from chemotherapy-induced damages while securing leukocytes, erythrocytes and platelets, and has the potential to improve the life expectancy of patients under specific circumstances.

In three randomized, double-blind, placebo-controlled clinical trials in the United States, where Trilaciclib was administered to patients with SCLC prior to chemotherapy treatment, Trilaciclib has shown efficacy in mitigating the risk of infection, neutropenia, anemia and fatigue. Based on such clinical trial results, Trilaciclib was designated as a breakthrough therapy by the U.S. FDA. We are currently preparing for IND application for this product candidate in China and expect to initiate phase I clinical trials in the third quarter of 2021.

According to Frost & Sullivan, SCLC incidence in China grew from 118.1 thousand in 2015 to 134.3 thousand in 2019, and is expected to grow further at a CAGR of 3.0% from 2019 to 2024, reaching 156.1 thousand in 2024, indicating increasing medical needs. Considering that chemotherapy is the most commonly-used treatment option for SCLC while myelosuppression is one of the major side effects of chemotherapy, Trilaciclib is expected to benefit from increasing market demand for therapeutic pharmaceuticals of myelosuppression, according to Frost & Sullivan.

We are collaborating with G1 Therapeutics on the development and commercialization of this product candidate. Please see "– Our Collaboration Arrangements."

Central Nervous System Product Candidates

1. Y-2 sublingual tablets (Y-2舌下片)

Y-2 sublingual tablets are the solid dosage form of edaravone dexborneol compound. Sequential therapy consisting of Y-2 sublingual tablets and edaravone and dexborneol concentrated solution for injection is designed to enable patients to receive a timely and complete treatment. In addition, administration of sublingual tablets is less dependent on medical conditions or compliance of patients, which makes it more suitable for research on new indications such as other chronic central nervous system diseases. Further, sublingual tablets have higher commercial value due to its lower production and transportation costs and larger patient base. We are currently conducting phase I clinical trials for Y-2 sublingual tablets in China and expect such clinical trials to be completed in the second half of 2020. We plan to initiate phase II clinical trials in China by the end of 2020 or in early 2021.

We are collaborating with YenePharma and its affiliates on the development and commercialization of this product candidate. Please see "– Our Collaboration Arrangements." YenePharma has initiated phase I clinical trials for Y-2 sublingual tablets in the United States.

2. SIM-307

SIM-307 is a first-in-class compound developed based on the Nobel-prize winning water channel discovery. SIM-307 is a potent inhibitor of aquaporin-4 (AQP4) water channels intended for treatment of cerebral edema caused by acute ischemic stroke through intravenous infusion administration. Studies have demonstrated SIM-307 as an AQP4 inhibitor to be effective in control of cerebral edema. We are currently preparing for IND application for this product candidate and expect to initiate phase I clinical trials in China in 2021.

According to Frost & Sullivan, the incidence of clinically significant cerebral edema in China grew from 551.3 thousand in 2015 to 677.5 thousand in 2019, and is expected to grow further at a CAGR of 3.1% from 2020 to 2024, reaching 793.4 thousand in 2024. As of June 30, 2020, there was no AQP4 inhibitor approved for sale worldwide, and no AQP4 inhibitor candidate was at clinical stage in China, according to Frost & Sullivan.

We are collaborating with Aeromics on the development and commercialization of this product candidate. Please see "– Our Collaboration Arrangements." Aeromics has completed phase I clinical trial for SIM-307 in the United States.

Autoimmune Product Candidates

1. Iguratimod Tablets (Sjögren's syndrome) (艾拉莫德片(干燥综合徵))

Iremod (iguratimod tablets), one of our major products, is an innovative chemical drug currently used for the treatment of active rheumatoid arthritis. As iguratimod can inhibit the generation of inflammatory cytokines and stimulate the generation of immunoglobulins, we are developing a new indication of iguratimod tablets for treatment of primary Sjögren's syndrome. According to investigator-initiated clinical trials, iguratimod tablets, when used in combination with methylprednisolone, have demonstrated higher efficacy and faster onset than conventional therapy of using hydroxychloroquine in combination with methylprednisolone, without increased incidence of adverse events. Iguratimod tablets have been recommended by the "Primary Sjögren's Syndrome Diagnosis and Treatment Standards" (《原發性干燥综合徵診療規範》) issued by the Chinese Medical Doctor Association (中國醫師協會) in 2020. We have obtained the IND approval for iguratimod tablets for the indication of Sjögren's syndrome in China.

According to Frost & Sullivan, prevalence of Sjögren's syndrome in China grew from 8.2 million in 2015 to 8.4 million in 2019, and is forecasted to grow further to 8.6 million in 2024.

2. SIM-335

SIM-335, our innovative chemical drug candidate which we have been developing in-house, is intended for the treatment of mild to moderate plaque psoriasis through topical administration. SIM-335 regulates the differentiation of T helper cells 17 and significantly inhibits the secretion and expression of interleukin-17A, an inflammatory cytokine in psoriatic lesions. Meanwhile, SIM-335 inhibits the proliferation of keratinocytes while it also induces their differentiation, facilitates the normalization of epidermal keratinization, reduces the infiltration of inflammatory cells and thereby improves the symptoms and severity of psoriatic lesions. We have obtained IND approval for this product candidate in China and are currently in the preparation for phase I clinical trials.

According to Frost & Sullivan, prevalence of psoriasis in China grew from 6.5 million in 2015 to 6.6 million in 2019, and is forecasted to grow further to 6.8 million in 2024.

3. SIM-295

SIM-295 is a selective URAT1 inhibitor intended for the treatment of gout with hyperuricemia. URAT1 is a renal urate transporter localized to the apical (brush border) membrane of renal proximal tubular cells, where it mediates the re-absorption of uric acid from the proximal tubule, thereby playing a key role in uric acid homeostasis. By selectively inhibiting the re-absorption of uric acid by URAT1 and increasing the excretion of uric acid, URAT1 inhibitor can significantly control blood uric acid level and show therapeutic effect on gout. Early-stage clinical trials conducted in South Korea have observed promising efficacy and favorable safety profile. We have submitted the IND application for this product candidate in China and we expect to obtain the IND approval by the end of 2020.

According to Frost & Sullivan, in recent years, gout prevalence in China has shown an upward trend from 23.9 million in 2015 to 32.0 million in 2019, representing a CAGR of 7.5%, and is forecasted to grow further at a CAGR of 6.1% from 34.2 million in 2020 to 43.3 million in 2024. As of June 30, 2020, there was no selective URAT1 inhibitor approved for sale in China. Nevertheless, there were five selective URAT1 inhibitor candidates at clinical stages in China as of June 30, 2020, according to Frost & Sullivan.

We are collaborating with JW Pharmaceutical on the development and commercialization of this product candidate. Please see "– Our Collaboration Arrangements." JW Pharmaceutical has initiated phase IIb clinical trials for SIM-295 in South Korea.

RESEARCH AND DEVELOPMENT

In-House Research and Development

Our research and development activities are primarily conducted through our three R&D centers in China, one in Shanghai, which primarily focuses on innovative pharmaceuticals; one in Nanjing, Jiangsu Province, which primarily focuses on innovative and high entry-barrier generic pharmaceuticals; and one in Boston, the United States, which focuses on innovative and advanced therapies, particularly cell therapy.

Our R&D team comprised of experts with extensive experience in drug discovery, pre-clinical development, pilot scale production, clinical development and drug registration regulatory affairs, covering the entire R&D cycle. We primarily rely on our R&D team for the development of drug candidates, ultimately bringing them to market in a timely and cost-effective manner. As of June 30, 2020, our R&D department consisted of 756 full-time employees, 331 of whom held master's degrees and 116 held Ph.D. degrees, featuring project leaders for NHFPC's "Major New Drug Creation" Science and Technology Major Projects

(「重大新藥創制」科技重大專項). Over 10% of our employees in R&D department are scientists or former R&D personnel from overseas well-known pharmaceutical companies or universities. In particular, our Boston R&D center comprised 52 R&D employees as of June 30, 2020.

Our R&D team maintains close interaction with our production and sales and marketing teams to advance our research and development projects in an efficient manner. For example, our production and sales and marketing teams participate early in our research and development process, which enables us to reduce the risk of unanticipated technological obstacles in the manufacturing stage and focus on projects with attractive market potential. In addition, our R&D team assists our production team in resolving technical issues and improving manufacturing processes and techniques.

As an innovation-oriented pharmaceutical company, we were approved by the Ministry of Science and Technology of the PRC in October 2015 to establish the only national key laboratory of translational medicine and innovative pharmaceuticals (轉化醫學與創新藥物國家重點實驗室) in the PRC pharmaceutical industry. This laboratory focuses on the translational medicine and precision medicine-based research and development of innovative pharmaceuticals for the treatment of oncology, central nervous system diseases, autoimmune diseases and infectious diseases. As part of the national strategy to promote technological innovation, this laboratory is expected to (i) facilitate our participation in government-sponsored pharmaceutical research and development programs, (ii) facilitate our collaboration with hospitals and research institutions, and (iii) increasingly attract top talent worldwide to join our R&D team, and ultimately improving the speed, performance and efficiency of our research and development.

In 2017, 2018 and 2019 and the six months ended June 30, 2020, our research and development expenses were RMB212.3 million, RMB447.1 million, RMB716.4 million and RMB454.1 million, representing 5.5%, 9.9%, 14.2% and 23.6% of our total revenue, respectively. See "Financial Information – Description of Key Statements of Profit or Loss Items – Research and Development Costs" for more details about our research and development expenses. Our research and development capabilities have been recognized by various levels of the PRC government. See "– Awards and Recognitions" for more details. We plan to continue to strengthen our R&D capabilities by attracting an increasing number of talents with extensive experiences in the relevant therapeutic areas or segments to join our R&D team.

Collaboration with Research and Development Partners

As an essential component of our research and development model, we have entered into long-term collaboration arrangements with leading domestic and international pharmaceutical companies and biotechnology companies to in-license or co-develop innovative and high end generic drug candidates that have high potential for commercialization in China. These strategic partnerships further broaden our access to competitive drug candidates, while minimizing costs and risks associated with their early-stage research and development. We

believe our in-house R&D capabilities, proven track record of successful development and commercialization of innovative pharmaceuticals, combined with our established manufacturing and commercial capabilities, have made us an attractive partner of choice for domestic and international pharmaceutical companies and biotechnology companies seeking to unlock the value of their assets in the rapidly growing PRC pharmaceutical market. In addition, we engage in joint R&D collaborations with universities and other research institutions.

Our external R&D partners include (i) leading domestic and multinational pharmaceutical companies such as BMS and Amgen; (ii) dynamic domestic and international biotechnology companies such as Apexigen, Aeromics, Merus, JW Pharmaceutical, GI Innovation, Primary Peptides, G1 Therapeutics, Jiangsu Alphamab, 3D Medicines, Immunochina, TCRCure Beijing, PREGENE and YenePharma; and (iii) leading domestic and international universities and other research institutions such as Shanghai Jiao Tong University and Nanjing Medical University.

We collaborate with our external R&D partners pursuant to the relevant long-term collaboration agreements, the terms of which vary on a project-by-project basis. Our collaboration agreements generally provide us with an exclusive right to develop and commercialize the relevant product candidates within the designated geographic areas. We are normally responsible for the full development and commercialization cycle of the relevant product candidates in the designated areas at our cost or pursuant to cost-sharing arrangements, and in some instances, with necessary assistance from our R&D partners at certain stages (such as the supply of APIs or finished products). We generally pay these R&D partners upfront payments, milestone payments and/or fixed-term royalties in accordance with the collaboration agreements, while in some cases, we may be entitled to receive royalties in connection with the transfer, license or commercialization of the relevant product candidate outside of the designated areas. We generally own any intellectual properties solely developed by us in the course of our collaboration and jointly own any jointly-developed intellectual properties. For details about our collaboration arrangements in relation to certain of our key product candidates, please see "– Our Collaboration Arrangements."

Collaboration with external R&D partners is a major component of our R&D strategy. Our dedicated business development team has a deep understanding of our R&D strategies, extensive industry resources and experience as well as insightful observations in respect of industry trends. Our business development force is strategically located in our Nanjing headquarters, the United States and Great Britain, and they actively seek potential domestic and overseas collaboration opportunities by regularly participating in academic conferences, seminars and symposia regularly. As of June 30, 2020, our business development team consisted of 20 employees, who possessed an average of eight years of industry-related experience.

CROs

In line with industry practice, we engage Independent Third Party CROs to support our product development. Our CROs provide us with an array of services, which primarily include molecule discovery, in vitro biological assays, analytics, formulation and process development, clinical monitoring and project management, data collection and management, statistics analysis, biological sample management and report preparation, or a combination of these services.

We select CROs based on their qualifications, reputation and accomplishments, including good laboratory practice qualifications issued by the NMPA, experience in conducting pre-clinical or clinical research on similar pharmaceutical products, research and project management capabilities and resources, as well as their testing facilities.

We generally enter into framework agreements with our CROs and we have executed statements of work on a project basis. Key terms of such agreements and statements of work are summarized as follows:

- ***Services***. The CROs provide us with specified services related to product development.

- ***Term***. The CROs are required to complete their product development services at an acceptable quality within the prescribed time limit.

- ***Payments***. We generally pay our CROs fixed amount service fees and, in some cases, together with incentive fees contingent upon the satisfaction of certain specified conditions, such as the success in obtaining NMPA approval within the stipulated time limit. We are required to make payments to the CROs in accordance with the payment schedules agreed by the parties.

- ***Adverse drug events***. In the event of any serious adverse drug event arising during a clinical trial, we are generally responsible for the medical treatment expenses of, and monetary compensation (if any) to, the relevant trial subjects.

- ***Intellectual property rights***. All intellectual property rights arising from the product development project will be owned by us upon completion of the project.

We closely monitor and manage the activities of these CROs to ensure their progress and quality, including (i) requiring CROs to comply with GCP requirements; (ii) comprehensive review and analysis of laboratory tests and clinical trial results and reports; and (iii) engaging third parties to audit the CROs.

Research and Development Process

Before commencing a research and development project, we perform thorough market analysis to determine whether the product candidate has unmet medical needs in China, is commercially viable, is expected to be able to achieve widespread acceptance in the marketplace, and for a generic drug candidate, whether the market for the drug will have high barriers to entry and the drug will be the first generic version on the market. We carefully select research and development projects by balancing the unmet medical needs and commercial potential (including potential competition and market size) of the drug and its likelihood of successful development.

Each of our research and development projects is subject to the approval of our project committee which consists of members of our senior management team and senior R&D personnel. Our senior management team reviews the results of feasibility studies on product candidates and makes the final decision on whether to initiate a new development project. When the project is approved, a project code will be assigned and a project leader who, in turn, determines the project team members, will be nominated. The project leader is responsible for implementation of the project, including coordination with the various other departments involved, such as our intellectual property and project management departments. We also conduct monthly reviews of our ongoing research and development projects and may decide to discontinue projects that fail to make satisfactory progress or when there is a material adverse change to the competitive environment.

Our pharmaceutical product development process typically involves the following milestone stages and the actual timing of each stage could vary significantly depending on the subject and nature of the project and the resources committed to the project:

Development stage	Description
Pre-clinical	• Discovery of lead molecules through evaluation under screening platform, biological assays and pharmacokinetics assays • Optimization of lead molecules and identification of clinical trial samples via pharmacology studies, pharmacokinetics studies and safety assessments • Development of formulation strategies and manufacturing processes • Characterization of clinical trial samples, identification of critical quality attributes and performance of stability studies • Manufacturing of clinical trial samples

Development stage	Description
IND application	• Application for pre-IND communication • Submission of IND application
Phase I clinical trials	• Human pharmacokinetics and drug tolerance evaluation trials • For category I innovative drug candidates, the minimum number of cases required by NMPA for each trial group is 20 to 30
Phase II clinical trials	• Preliminary exploration on the therapeutic efficacy • Dosage finding for phase III clinical trials • For category I innovative drug candidates, the minimum number of cases required by NMPA for each trial group is 100
Phase III clinical trials	• Confirmation of the therapeutic efficacy and safety • For category I innovative drug candidates, the minimum number of cases required by NMPA for each trial group is 300
NDA	• Application for approval of new drug registration from the NMPA • Review of the application materials, on-site inspections and final assessments by the NMPA
Launch	• NMPA approval for new drug registration is obtained; new drug certificate and drug approval number are granted • Mass production commences
Phase IV clinical trials	• Focused on delineating additional information about the drug, including side effects, long-term efficacy/risks and optimal use method • May result in a drug being taken off the market or additional restrictions being placed on the drug depending on the findings in the trials

See "Regulatory Overview – Laws and Regulations Relating to Drugs – Laws and Regulations on Drug Registration" for further details about the laws and regulations relating to the registration of pharmaceutical products in the PRC.

OUR COLLABORATION ARRANGEMENTS

Oncology

Apexigen License and Collaboration Agreement for Sevacizumab

On December 12, 2008, we entered into a license and collaboration agreement with Epitomics, Inc., which was later assigned by Epitomics, Inc. to Apexigen in connection with a spinout from Epitomics, Inc. in 2010 (such license and collaboration agreement, the "**Apexigen License and Collaboration Agreement**") to co-develop and commercialize a humanized anti-human VEGFa rabbit monoclonal antibody, namely, sevacizumab, for oncology therapeutics in humans.

We are responsible for, among other things, pre-clinical and clinical trials and studies and obtaining regulatory governmental approvals for the commercialization of sevacizumab in mainland China, Hong Kong and Macau, while Apexigen has reserved the right for the same in other regions worldwide. In addition, we are responsible for all development costs in mainland China, Hong Kong and Macau, while all such costs in other regions worldwide are shared between Apexigen and us at an agreed-upon percentage. Upon receiving the necessary regulatory approvals, we will have the exclusive right to sell, market and otherwise commercialize sevacizumab in mainland China, Hong Kong and Macau, while we will be entitled to share the profits from any transfer, license or sales of sevacizumab outside of mainland China, Hong Kong and Macau at an agreed-upon percentage.

Apexigen is entitled to receive upfront payments, milestone payments and royalties from us. The milestone payments are payable upon achieving major milestones in the development of sevacizumab, such as initiation of phase I clinical trials and obtaining NDA approval. As of the Latest Practicable Date, a milestone payment in the low seven figures in US dollars would become payable upon achieving the relevant milestones. We agreed to pay Apexigen tiered royalties from low- to high-single digits based on net sales of sevacizumab in mainland China, Hong Kong and Macau for a prescribed time period commencing on the date of first commercial sale, subject to earlier termination of the Apexigen License and Collaboration Agreement.

Pursuant to the Apexigen License and Collaboration Agreement, we were granted an exclusive and non-sublicensable license to certain intellectual property rights owned by Apexigen for the development and commercialization of sevacizumab in the field of oncology therapeutics in mainland China, Hong Kong and Macau; while we have granted Apexigen a non-exclusive, royalty-free and non-sublicensable license to inventions or other improvements derived from sevacizumab using intellectual property rights licensed from Apexigen (i) in mainland China, Hong Kong and Macau and outside the field of oncology therapeutics and (ii)

outside of mainland China, Hong Kong and Macau. Any inventions conceived and reduced to practice in connection with the collaboration on sevacizumab are jointly owned by both parties. The Apexigen License and Collaboration Agreement will expire upon the later of (i) the expiration of the last valid patent claim under the licensed intellectual property rights; or (ii) a mid-teens number of years after the last commercialization of sevacizumab; unless there is an earlier termination by Apexigen or us. The Apexigen License and Collaboration Agreement may be terminated (i) by us upon the occurrence of any of certain specified conditions, including an effective judgement by a court in China adjudicating that sevacizumab infringes a third party patent; or (ii) by the non-defaulting party in the event of a material breach (such as a breach of representations and warranties or covenants) that is not remedied within a prescribed time period.

Immunochina License and Collaboration Agreement for CD19 CAR T-cell Therapies

We entered into a license and collaboration agreement with Immunochina and its affiliates on March 27, 2020, as amended on May 18, 2020 (the "**Immunochina License and Collaboration Agreement**"), pursuant to which Immunochina has (i) assigned us certain of its intellectual property rights that are necessary for the research, development, registration, manufacturing, promotion, delivery and commercialization of CD19 CAR T-cell therapies in the Asia-Pacific region; and (ii) licensed us certain of its platform intellectual property rights that are reasonably necessary for the research, development, registration, manufacturing, promotion, delivery and commercialization of CD19 CAR T-cell therapies in the Asia-Pacific region.

Pursuant to the Immunochina License and Collaboration Agreement, Immunochina is responsible for the pre-clinical studies of CD19 CAR T-cell therapies in the Asia-Pacific region, certain investigator-initiated clinical trials of CD19 CAR T-cell therapies in the Greater China, as well as the development, NDA and commercialization of CD19 CAR T-cell therapies outside of the Asia-Pacific region. We are responsible for the IND filings, registrational clinical trials, NDA and commercialization of CD19 CAR T-cell therapies in the Asia-Pacific region, except that Immunochina is responsible for certain IND filings it submitted prior to the Immunochina License and Collaboration Agreement as well as the phase I registrational clinical trials of CD19 CAR T-cell therapies in the Greater China for the indication of r/r CD19 positive non-Hodgkin's lymphoma, with the relevant costs to be shared between both parties in an agreed-upon manner.

Immunochina shall receive upfront payments, milestone payments as well as royalties from us. The development milestone payments are payable upon achieving major milestones in the development of CD19 CAR T-cell therapies, such as obtaining IND approval, initiation of the first registrational clinical trial, NDA filing for the first indication and obtaining NDA approval for additional indications. As of the Latest Practicable Date, milestone payments in the low nine figures in RMB in aggregate would become payable upon achieving the relevant development milestones. We have agreed to pay tiered royalties to Immunochina from mid-single digits to low-teens based on net sales for a prescribed time period commencing from the launch of CD19 CAR T-cell therapies in the Asia-Pacific region, subject to further

extension in accordance with the Immunochina License and Collaboration Agreement. We are responsible for the application and registration of trademarks and industrial designs of CD19 CAR T-cell therapies in the Asia-Pacific region, and will retain full ownership of these intellectual property rights once they are registered. In addition, pursuant to the Immunochina License and Collaboration Agreement, each party owns any intellectual property rights developed solely by it, while any intellectual property rights jointly developed are to be jointly owned.

The Immunochina License and Collaboration Agreement may be terminated (i) by either party in the case of bankruptcy, liquidation, dissolution or ceasing operations of the other party; (ii) by the non-defaulting party in the event of a breach that is not remedied within a prescribed time period; (iii) by us in the event that any inaccurate or misleading representations, warranties or commitments relating to the intellectual property rights of CD19 CAR T-cell therapies made by Immunochina which lead to material obstacles to the continuing performance of such agreement; or (iv) by us in the event that clinical trials are terminated by relevant government authorities due to safety or ethical reasons. Upon termination of the Immunochina License and Collaboration Agreement, all rights and licenses assigned or granted by Immunochina to us will remain in effect, except when the termination is due to a breach by us, or if Immunochina has returned all payments paid by us prior to the termination due to their breach. In such cases, all rights and licenses assigned or granted to us shall cease and revert to Immunochina. In addition, subsequent to 36 months after the launch of CD19 CAR T-cell therapies in the Greater China, Immunochina is entitled to recover all its rights in connection with CD19 CAR T-cell therapies in the Asia-Pacific region when the annual net sales and year-on-year growth rate in the Greater China fail to achieve the prescribed minimum requirements. In such case, we are entitled to the return of upfront payments, milestone payments and royalties previously paid by us to Immunochina as well as the reimbursement of all development expenses incurred by us, with interest, within a prescribed time period.

PREGENE License and Collaboration Agreement for BCMA CAR T-cell Therapy

We entered into a license and collaboration agreement with PREGENE and its affiliates on February 27, 2020, as amended on May 6, 2020 and June 5, 2020, (the "**PREGENE License and Collaboration Agreement**"), pursuant to which PREGENE has (i) assigned us its proprietary patents directly relating to the development, manufacturing and commercialization of BCMA CAR T-cell therapy; and (ii) licensed us certain of its platform patents indirectly relevant to the development, manufacturing and commercialization of BCMA CAR T-cell therapy.

Pursuant to the PREGENE License and Collaboration Agreement, PREGENE is responsible for, at its own costs, the pre-clinical studies and IND filing of BCMA CAR T-cell therapy in the Greater China, as well as the development, BLA/NDA and commercialization of the same outside of the Greater China. We are responsible for clinical trials and NDA, of BCMA CAR T-cell therapy in the Greater China at our own costs. Upon receiving regulatory approvals, we will have the exclusive right to commercialize BCMA CAR T-cell therapy in the Greater China.

PREGENE shall receive upfront payments, milestone payments as well as royalties from us. The development milestone payments are payable upon achieving major milestones in the development of BCMA CAR T-cell therapy, such as (i) assignment of intellectual property rights, (ii) patient enrollment and infusion of BCMA CAR T-cell therapy back into patients in pivotal registrational clinical trials, (iii) completion of certain production batches with the assistance of PREGENE, (iv) completion of production transfer and (v) obtaining NDA approval. As of the Latest Practicable Date, milestone payments in the mid eight figures in RMB in aggregate would become payable upon achieving the relevant development milestones. We have agreed to pay tiered royalties to PREGENE from mid-single digits to low-teens based on net sales for a prescribed time period commencing from the launch of BCMA CAR T-cell therapy in the Greater China.

We are responsible for the application and registration of trademarks and industrial designs of BCMA CAR T-cell therapies in the Greater China, and will retain full ownership of these intellectual property rights once they are registered. In addition, pursuant to the PREGENE License and Collaboration Agreement, each party owns any intellectual property rights developed solely by it, while any intellectual property rights jointly developed are to be jointly owned.

The PREGENE License and Collaboration Agreement may be terminated (i) by either party in the case of bankruptcy, liquidation, dissolution or ceasing operations of the other party; (ii) by the non-defaulting party in the event of a breach that is not remedied within a prescribed time period; (iii) by us in the event that any inaccurate or misleading representations, warranties or commitments relating to the intellectual property rights of BCMA CAR T-cell therapy were made by PREGENE which lead to material obstacles to the continuing performance of such agreement; or (iv) by us in the event that clinical trials are terminated by the relevant government authorities due to safety or ethical reasons. Upon the termination of the PREGENE License and Collaboration Agreement, all rights and licenses assigned or granted by PREGENE to us will remain in effect, except when the termination is due to a breach by us. In such case, all rights and licenses assigned or granted to us shall cease and revert to PREGENE.

Collaboration Agreements for KN035

We entered into a tripartite collaboration agreement with Jiangsu Alphamab and 3D Medicines, together with a separate marketing and promotion agreement with 3D Medicines, on March 30, 2020, in respect of KN035 (collectively, the "**KN035 Collaboration Agreements**").

The KN035 Collaboration Agreements provide us with an exclusive promotion right in respect of oncology treatment indications of KN035 in mainland China. Pursuant to the KN035 Collaboration Agreements, Jiangsu Alphamab will manufacture, and 3D Medicines will sell, KN035 to our designated distributors, while we are entitled to receive promotion service fees on a monthly basis calculated with reference to the total purchases made by our distributors and based on rates stipulated in the Collaboration Agreements. Pursuant to the KN035

Collaboration Agreements, we are entitled to make final decisions in respect of general matters including the commercialization of KN035 in mainland China, while reserved matters such as the pricing of KN035 shall be agreed upon unanimously by all three parties. We have agreed to undertake annual minimum promotion requirements starting from the fourth year of our collaboration and will re-negotiate such requirements with Jiangsu Alphamab and 3D Medicines upon the expiration of each consecutive four-year period thereafter. In addition, the KN035 Collaboration Agreements provide us the right of first refusal for in-licenses or transfers of KN035 in respect of oncology treatment indications in mainland China.

Amgen Collaboration Agreement for Bevacizumab

We entered into a collaboration agreement with Amgen on September 12, 2017 (the "**Amgen Collaboration Agreement**") to collaborate on the development, manufacturing and commercialization of a bevacizumab biosimilar (the "**Bevacizumab Biosimilar**") in mainland China. Pursuant to the Amgen Collaboration Agreement, Amgen remains solely responsible for the day-to-day development of the Bevacizumab Biosimilar in mainland China, while the relevant costs are shared with us based on an agreed-upon percentage. Upon obtaining applicable regulatory approvals, Amgen will be responsible for manufacturing the Bevacizumab Biosimilar at its own costs and supplying the Bevacizumab Biosimilar to us at prices calculated in accordance with the terms of the Amgen Collaboration Agreement, while we will be responsible for the distribution and commercialization of the Bevacizumab Biosimilar in mainland China at our own costs.

All right, title and interest in and to any inventions that constitute improvements, modifications or enhancements to the Bevacizumab Biosimilar will be solely owned by Amgen, while each party otherwise owns any other inventions made solely by it. The Amgen Collaboration Agreement may be terminated in its entirety by the non-defaulting party in the case of a material breach that is not remedied within a prescribed time period. The Amgen Collaboration Agreement also provides that collaboration on the Bevacizumab Biosimilar can be terminated: (i) by either party in the event of our non-approval of collaboration plans or budgets prepared by Amgen for the Bevacizumab Biosimilar; (ii) by either party if the development or commercialization activities for the Bevacizumab Biosimilar outside mainland China are terminated by Amgen in accordance with the terms of the Amgen Collaboration Agreement, unless otherwise prescribed in such agreement; (iii) by Amgen with a 90-day written notice if the purchase price for the Bevacizumab Biosimilar falls below the prescribed minimum level in the Amgen Collaboration Agreement for over two consecutive calendar quarters; or (iv) by us if we, with reasonable evidence, consider it no longer commercially viable to supply or commercialize the Bevacizumab Biosimilar for or in mainland China. Upon the termination of the Amgen Collaboration Agreement in its entirety or the termination of collaboration on the Bevacizumab Biosimilar, all rights and licenses granted by Amgen to us under the Amgen Collaboration Agreement for the Bevacizumab Biosimilar will terminate and revert to Amgen.

G1 License and Collaboration Agreement for Trilaciclib

We entered into a license and collaboration agreement with G1 Therapeutics on August 3, 2020 (the "**G1 License and Collaboration Agreement**"), pursuant to which we were granted an exclusive, sub-licensable and non-transferable license to use certain intellectual property rights of G1 Therapeutics to develop and commercialize Trilaciclib (except for oral dosage forms) in the Greater China, as well as a non-exclusive, sub-licensable and non-transferable license to use certain intellectual property rights of G1 Therapeutics to manufacture the same worldwide solely for the purpose of developing and commercializing Trilaciclib in the Greater China territory.

We are responsible for the development of Trilaciclib and obtaining applicable regulatory approvals for its commercialization in the Greater China territory at our own cost, G1 Therapeutics is responsible for supplying us Trilaciclib for our development and commercialization of the same for a maximum of three years following receipt of the first regulatory approval for Trilaciclib in the Greater China territory, based on a separate written supply agreement to be entered into between G1 Therapeutics and us, unless we decide to manufacture Trilaciclib in-house or through our designated contract manufacturers in accordance with the G1 License and Collaboration Agreement.

G1 Therapeutics is entitled to receive an upfront payment, development and sales milestone payments as well as royalties from us. The development milestone payments are payable upon achieving major milestones in the development of Trilaciclib, such as obtaining the first regulatory approval in the United States, obtaining the IND approval for the first indication in the Greater China, obtaining IDL for the first indication in mainland China and NDA/IDL filing and obtaining NDA approval or IDL for additional indications in mainland China. As of the Latest Practicable Date, aggregate milestone payments in the high eight figures in US dollars would become payable upon achieving the relevant development milestones. We have agreed to pay tiered low teens royalties to G1 Therapeutics based on net sales of Trilaciclib for a prescribed time period commencing from the first commercial sale of Trilaciclib in the Greater China territory, subject to certain royalty reductions in accordance with the G1 License and Collaboration Agreement.

Subject to the terms of the G1 License and Collaboration Agreement, each party owns any inventions created or developed solely by the employees or representatives of such party in the course of the performance of the G1 License and Collaboration Agreement. Any inventions invented or developed jointly by both parties and registered in the Greater China are to be jointly owned, with the relevant costs shared by both parties on an agreed-upon percentage, while any inventions invented or developed jointly by both parties and registered in the United States are to be solely owned by G1 Therapeutics at its own cost and expense.

The G1 License and Collaboration Agreement will expire, on a product-by-product and region-by-region basis, when the last-to-expire royalty term expires in the Greater China territory, subject to earlier termination (i) by us with a 180-day written notice at any time; (ii) by G1 Therapeutics, with a 60-day written notice, in the event of a valid patent challenge by

us, our affiliates or sub-licensees; (iii) by the non-defaulting party in the event of a material breach that is not remedied within a prescribed time period; or (iv) by either party in the case of, among others, bankruptcy or insolvency of the other party.

Upon expiration of the G1 License and Collaboration Agreement, all licenses granted by G1 Therapeutics to us under such agreement will automatically become fully paid-up, royalty-free, irrevocable and perpetual. While upon earlier termination of the G1 License and Collaboration Agreement, all rights and licenses granted by G1 Therapeutics to us under such agreement, along with all sub-licenses granted by us to our sub-licensees, will terminate.

Central Nervous System Diseases

YenePharma Collaboration Agreement for Y-2 sublingual tablets

We entered into a collaboration agreement with YenePharma and certain of its affiliates on September 28, 2019 (the "**YenePharma Collaboration Agreement**"), pursuant to which we and YenePharma agreed to co-develop an edaravone compound in sublingual tablet dosage form, namely, Y-2 sublingual tablets. Pursuant to the YenePharma Collaboration Agreement, we are responsible for the development of the Y-2 sublingual tablets at our own costs and obtaining applicable regulatory approvals for the commercialization of Y-2 sublingual tablets in the Greater China, while YenePharma is responsible for the same outside of the Greater China. Meanwhile, we have engaged YenePharma to conduct pre-clinical and clinical trials and studies for the commercialization of Y-2 sublingual tablets in the Greater China. Upon receiving the necessary regulatory approvals, we will have the exclusive right to manufacture, sell, license and otherwise commercialize the Y-2 sublingual tablets in the Greater China.

YenePharma is entitled to receive milestone payments and royalties from us. The development milestone payments are payable upon achieving major milestones in the development of the Y-2 sublingual tablets, such as (i) completion of phase I clinical trials, (ii) completion of phase II/III clinical trials, and (iii) obtaining NDA approval, production approval and signing of agreement for commercial sales of the Y-2 sublingual tablets. As of the Latest Practicable Date, milestone payments in the high eight figures in RMB in aggregate would become payable upon achieving the relevant development milestones. We agreed to pay YenePharma tiered royalties from mid-single digits to low-teens based on the net sales of the Y-2 sublingual tablets in the Greater China. We may not transfer our interest in the Greater China without the written consent of YenePharma, while YenePharma may not transfer its interest outside of the Greater China without our written consent. The aforementioned transfer by either party is subject to the right of first refusal of the other party. In the event that YenePharma transfers or in-licenses its interest outside of the Greater China to any third parties, any profit from any such transfer or in-license will be shared between YenePharma and us in accordance with agreed-upon percentages specified in the YenePharma Collaboration Agreement.

We and YenePharma jointly own the patents in connection with the Y-2 sublingual tablets. The YenePharma Collaboration Agreement may be terminated by us in the event of a material breach by YenePharma (such as YenePharma collaborating with any third party on the Y-2 sublingual tablets in the Greater China, the intellectual property rights and Y-2 sublingual tablets being unable to obtain production approval due to reasons attributable to YenePharma) that is not remedied within a prescribed time period. In particular, in the event that YenePharma breaches the YenePharma Collaboration Agreement by collaborating with any third party on the Y-2 sublingual tablets in the Greater China, our payment obligations to YenePharma will cease, while our intellectual property rights to the Y-2 sublingual tablets, our exclusive right to commercialize the Y-2 sublingual tablets in the Greater China and our right to share the profits generated from any transfer or in-license outside of the Greater China will remain in effect.

Aeromics Agreement for SIM-307

We entered into a license agreement with Aeromics in October 2019 (the "**Aeromics License Agreement**"), pursuant to which we were granted an exclusive and sub-licensable license to research, develop, manufacture and commercialize an AQP4 inhibitor, namely, SIM-307, in the Greater China at our own costs. In addition, Aeromics is responsible for supplying us a certain quantity of APIs for our development of SIM-307. Aeromics is entitled to receive upfront payment, development and sales milestone payments as well as royalties from us. The development milestone payments are payable upon achieving major milestones in the development of the SIM-307, such as initiation of phase I clinical trials in mainland China, initiation of phase III clinical trials in mainland China and obtaining NDA approval for each indication. As of the Latest Practicable Date, milestone payments in the low eight figures in US dollars would become payable upon achieving the relevant development milestones. We agreed to pay Aeromics tiered royalties from high-single digits to mid-teens based on the net sales of SIM-307 in the Greater China for a prescribed time period on a product-by-product and region-by-region basis. Meanwhile, we are entitled to agreed upon percentages of payment received by Aeromics for its sale or in-license of SIM-307 outside of the Greater China.

Aeromics has granted us an exclusive license for its patent rights in the Greater China for the development and commercialization of SIM-307. Subject to the terms of the Aeromics License Agreement, each party owns any inventions invented or developed solely in connection with SIM-307, while any inventions invented or developed jointly by both parties are to be jointly owned. The Aeromics License Agreement will expire, on a product-by-product and region-by-region basis, when no payment obligations are or will become due. Upon such expiration, all license granted by Aeromics to us will be fully paid, royalty free, perpetual and irrevocable. Nevertheless, the Aeromics License Agreement is subject to early termination (i) by the non-defaulting party in the case of a material breach that is not remedied within a prescribed time period; (ii) by Aeromics in the event of our late payment of any upfront payment; or (iii) by us without cause upon serving a 60-day prior written notice. Upon early termination of the Aeromics License Agreement, all licenses granted to us will cease.

Autoimmune Diseases

BMS License Agreement for Abatacept Injection

We entered into a license agreement with BMS on June 13, 2013, as amended on May 10, 2019 (the "**BMS License Agreement**"). Pursuant to the BMS License Agreement, we have the co-exclusive right to develop and the exclusive right to commercialize a pharmaceutical product containing abatacept for rheumatoid arthritis, namely, abatacept injection, in mainland China at our own costs. BMS manufactures and supplies the abatacept injection (only in safety syringe form as finished goods) to us for commercialization in mainland China at agreed upon prices under a separate supply agreement entered into between BMS and us on May 10, 2019. We agreed to pay royalties to BMS based on the net sales of the abatacept injection in mainland China for a prescribed time period commencing on the date of the first commercial sale. Meanwhile, BMS may, by serving a written notice at any time during a 12-month period commencing on the date of the first commercial sale, exercise a one-time election to opt-in to the commercialization of the abatacept injection in mainland China. In such event, BMS will share the operating profits or losses with us according to the agreed-upon percentages and there will be no royalties payable to BMS by us for the sales of the abatacept injection in mainland China.

BMS solely owns all right, title and interest in and to any inventions that are directed to the composition, use, formulation or manufacture of, or an improvement to, the abatacept injection, that are invented or discovered under the BMS License Agreement. The BMS License Agreement may be terminated for various reasons, including (i) by the non-breaching party in the event of a material breach (i.e. entering into any sub-license arrangement without following the requirements set out in the BMS License Agreement) that is not remedied within a prescribed time period; (ii) by BMS in the case of our insolvency; or (iii) by us without cause at any time subsequent to the second anniversary of the date of the first commercial sale of the abatacept injection in mainland China upon serving a six-month written notice. In the event of any termination of the BMS License Agreement, all rights and licenses granted by BMS to us under such agreement will terminate and revert to BMS.

JW Pharmaceutical License Agreement for SIM-295

We entered into a license agreement with JW Pharmaceutical on September 27, 2019 (the "**JW Pharmaceutical License Agreement**"), pursuant to which we were granted an exclusive, sub-licensable and non-transferable right to develop and commercialize a URAT1 inhibitor for therapeutic use in gout with hyperuricemia, namely, SIM-295, in mainland China, Hong Kong and Macau at our own costs, as well as a right of first negotiation to obtain an exclusive right to develop and commercialize the same in Taiwan. We have the right to manufacture SIM-295 by ourselves or through a third-party contract manufacturer engaged by us for the purpose of the development and commercialization of SIM-295.

JW Pharmaceutical is entitled to receive upfront payments and milestone payments as well as royalties from us. The milestone payments are payable upon achieving major development milestones in the development of the SIM-295, such as first administration in phase I clinical trials in mainland China, first administration in phase III clinical trials in mainland China, completion of phase III clinical trials in mainland China and obtaining NDA approval. As of the Latest Practicable Date, milestone payments in the low eight figures in US dollars in aggregate would become payable upon achieving the relevant development milestones. We agreed to pay JW Pharmaceutical tiered royalties from mid-single digits to low-teens based on the net sales of SIM-295 in mainland China, Hong Kong and Macau for a prescribed time period commencing on the date of the first commercial sale.

JW Pharmaceutical has granted us an exclusive license for its patent rights in mainland China, Hong Kong and Macau for the development and commercialization of SIM-295. Subject to the terms of the JW Pharmaceutical License Agreement, each party owns the intellectual property rights to any improvement developed solely in connection with SIM-295, while the intellectual property rights to any improvements jointly-developed by both parties are to be jointly owned. The JW Pharmaceutical License Agreement will expire upon the expiration of the royalty term, as a result of which, all rights and licenses granted by JW Pharmaceutical to us will be fully paid-up, perpetual and irrevocable. The JW Pharmaceutical License Agreement is also subject to early termination (i) by either party in the event of the bankruptcy of the other party; (ii) by the non-defaulting party in the case of a material breach that is not remedied within a prescribed time period; (iii) by JW Pharmaceutical in the event that we challenge the validity of licensed patents; or (iv) by us, without cause, upon serving a 120-day prior written notice. Upon the early termination of the JW Pharmaceutical Agreement, all rights granted to us will cease and we must return all data and information received from JW Pharmaceutical.

PRODUCTION

Production Process

We are capable of manufacturing pharmaceuticals in a variety of dosage forms, including injectables, oral liquids, oral solid dosage forms (tablets, capsules, granules and powders), implants, gel and dry powder for inhalation, in our production facilities. In addition, we produce a number of APIs in-house, some of which are used in the manufacturing of certain of our products including Iremod, Bicun, Newanti, Jepaso and Jiebaili.

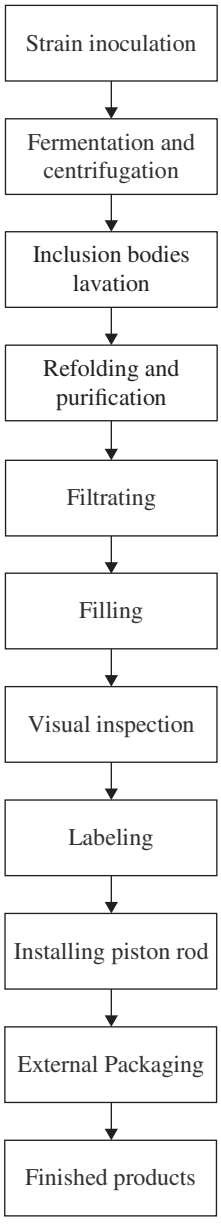
Our production processes vary between each dosage form and product and the production time varies depending on the specific requirements of the product and production process. The production processes used in the manufacturing of our major products are set forth below.

Production Process for Injectables

Injectables that we manufacture in-house include both large molecule injectables and small molecule injectables, which consist of injectable solutions, powder for injection and lyophilized powder for injection.

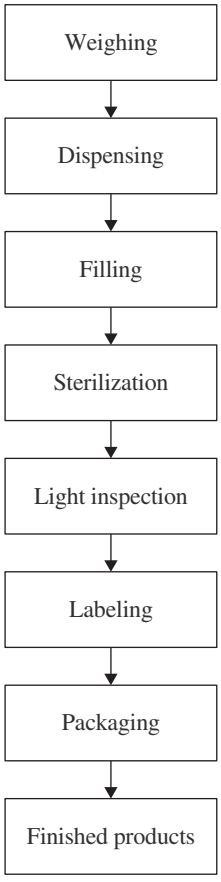
Large Molecule Antineoplastic Injectable Solutions

The following diagram summarizes the production process for Endostar, which takes approximately 30 days.



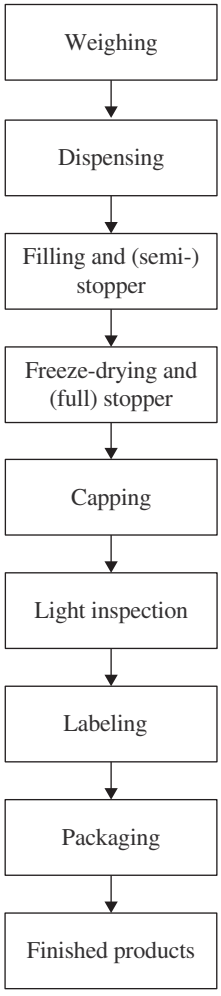
Small Molecule Injectable Solutions

The following diagram summarizes the production process for Bicun, which takes approximately three days.



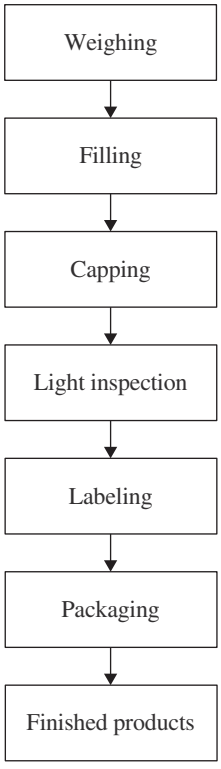
Small Molecule Antineoplastic Lyophilized Powder for Injection

The following diagram summarizes the production process for Jepaso and Jiebaili, which ranges from approximately four to six days.



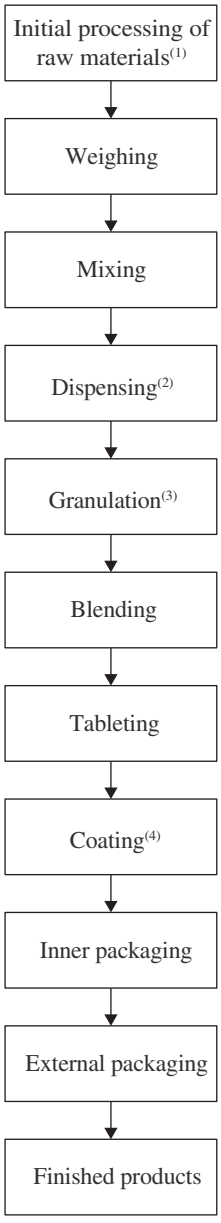
Small Molecule Powder for Injection

The following diagram summarizes the production process for Newanti, which takes approximately two days.



Production Process for Tablets

The following diagram summarizes the production process for Iremod, Softan and ZAILIN dispersible tablets, which takes approximately five days.



Notes:

(1) Not required for ZAILIN dispersible tablets;

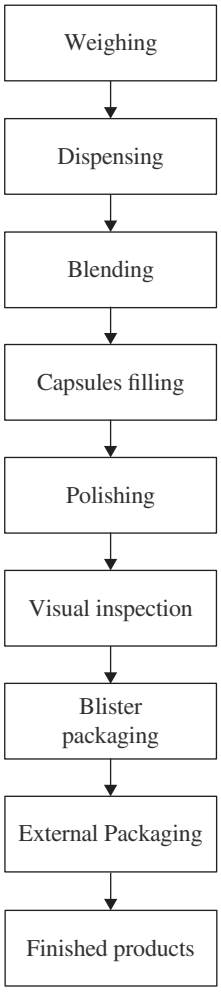
(2) Not required for Softan;

(3) Not required for Softan and ZAILIN dispersible tablets;

(4) Not required for Iremod and ZAILIN dispersible tablets.

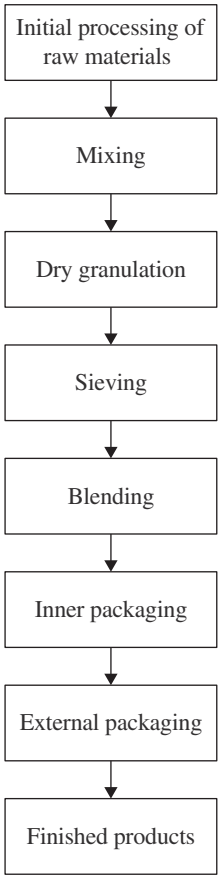
Production Process for Capsules

The following diagram summarizes the production process for ZAILIN capsules, which takes approximately five days.



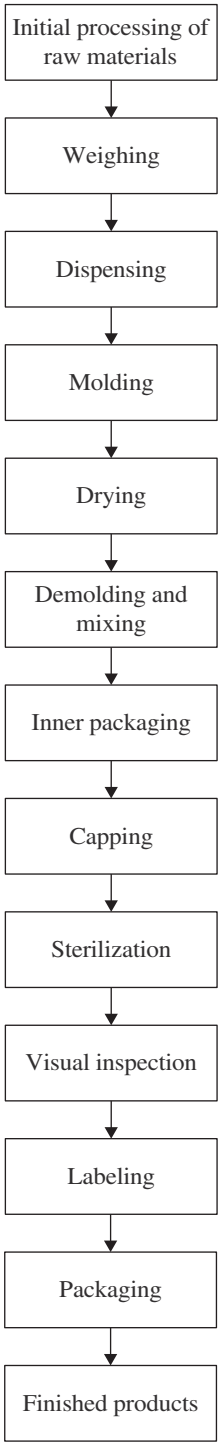
Production Process for Granules

The following diagram summarizes the production process for ZAILIN granules, which takes approximately three days.



Production Process for Implants

The following diagram summarizes the production process for Sinofuan, which takes approximately 27 days.



Production Facilities

We currently have five production facilities for the manufacturing of our pharmaceutical products, including one located in Nanjing, Jiangsu Province (which also has API workshops), two located in Hainan Province (namely, Yaogu facility, which also has API workshops, and Chengmai facility), one located in Yantai, Shandong Province and one located in Wuhu, Anhui Province.

As of the Latest Practicable Date, our production facilities occupied an aggregate site area of approximately 624,868 sq.m. and had an aggregate GFA of approximately 121,635 sq.m. As of the Latest Practicable Date, our production facilities housed a total of 21 production lines, 14 of which produced oral medications including tablets, capsules, granules, powders and oral liquids, four of which produced injectables, one of which produced implants, one of which produced gel and one of which produced dry powder for inhalation. As of the Latest Practicable Date, we also had five workshops for the production of APIs and one workshop for the extraction of traditional Chinese medicines.

During the Track Record Period and up to the Latest Practicable Date, we obtained production licenses for all of our production facilities, GMP certifications for all of our workshops and production lines used for the production of our existing pharmaceutical products, and production approvals for each of our pharmaceutical products and APIs manufactured in-house. Please see "– Licenses, Permits and Certificates" for more details about our major licenses, permits and certificates.

Our production facilities are fully equipped with advanced automated equipment such as pneumatic filling machine (氣流分裝機), automated solution preparation, crystallizing and multi-function filtration drying automatic system (配料 – 結晶 – 多功能過濾乾燥全自動系統), tablet machine (壓片機), granulation machine (製粒機), fully-automatic packaging line (全自動包裝線), integrated washing-drying-filling line (洗烘灌聯動線), integrated light inspection and leak detection machine (燈檢檢漏一體機) and fully-automated solution preparation system (全自動配液系統). Our production equipment is generally aged from three years to 10 years. We carry out maintenance and repair work in compliance with applicable GMP requirements and we replace or upgrade our production equipment when necessary to enhance productivity. We believe our production facilities and equipment are in good working condition.

The following table sets forth the designed production capacity, actual production volume and utilization rates of the production lines which are used in the production of our major products as of the dates and for the periods indicated:

		As of/Year ended December 31,									As of/Six months ended June 30,		
		2017			2018			2019			2020		
Production lines	Unit	Designed production capacity	Production volume	Utilization rate (%)[1]	Designed production capacity	Production volume	Utilization rate (%)[1]	Designed production capacity	Production volume	Utilization rate (%)[1]	Designed production capacity	Production volume	Utilization rate (%)[1]
Large molecule injectable solutions	10,000 pre-filled syringes	217	129	59	272	176	65	435	218	50	217	94	43
Small molecule injectable solutions	10,000 ampoules	7,392	4,127	56	7,920	3,817	48	7,920	2,719	34	3,960	320	8[2]
Small molecule powder for injection	10,000 vials	583	203	35	583	281	48	583	288	49	292	70	24[2]
Small molecule lyophilized powder for injection	10,000 vials	410	179	44	410	310	76	410	374	91	205	122	60[2]
Tablets	10,000 pills	92,622	25,289	27	92,622	44,363	48	92,622	54,868	59	46,311	27,034	58
Implants	10,000 vials	80	22	28	80	35	44	96	39	40	48	24	51
Capsules	10,000 pills	77,904	23,272	30	77,904	24,501	32	77,904	24,962	32	38,952	13,604	35
Granules	10,000 packs	55,289	32,883	60	55,289	36,512	66	55,289	33,856	61	27,645	13,377	48

Notes:

(1) Utilization rate is calculated by dividing the production volume by the designed production capacity. The fluctuations in our utilization rates generally reflect the fluctuations in our production volumes in line with the level of market demand for the corresponding products. During the Track Record Period, in anticipation of an increase in market demand for Endostar, Bicun and Sinofuan, we upgraded the production lines for large molecule injectable solutions and small molecule injectable solutions, and installed an additional inner packaging machine in the production line for implants, which resulted in increased annual designed production capacities of these production lines.

(2) For the six months ended June 30, 2020, the utilization rate of the production lines for small molecule injectable solutions, small molecule powder for injection and small molecule lyophilized powder for injection significantly decreased primarily as a result of their decreased production volume caused by the COVID-19 outbreak.

Our production plan is devised based on an annual, monthly and quarterly rolling forecasts of market demand at the beginning of each year with reference to historical sales records and anticipated level of sales orders, which will be adjusted in accordance with actual demand and inventory levels. See "– Inventory Management" for more details.

The following table sets forth a summary of our production facilities as of the Latest Practicable Date:

Facility	Location	Site Area *(sq.m.)*	GFA *(sq.m.)*	Production Workshop	Production Line	Major Products Produced	API and Other Workshops
Nanjing facility	Nanjing, Jiangsu	145,436	53,475	Oral liquid workshop	Oral liquid production line	N/A[(1)]	Three API workshops and one workshop for extraction of traditional Chinese medicines
				Solid dosage workshop	Capsule production line	N/A[(1)]	
					Tablet production line	Softan	
					Dry powder inhaler production line	N/A[(1)]	
				Antineoplastic powder for injection workshop	Small molecule antineoplastic lyophilized powder for injection production line	Jepaso, Jiebaili	
				Powder for injection workshop	Small molecule powder for injection production line	Newanti	
				Small volume injectable solution workshop	Small molecule injectable solution production line	Bicun	
Yaogu facility	Haikou, Hainan	152,188	28,594	Comprehensive workshop	Tablet production line	Iremod	Two API workshops
					Capsule production line	Yingtaiqing sustained-release capsules	
					Granule production line	N/A[(1)]	
					Gel production line	Yingtaiqing gel	
				Diosmectite powder workshop	Powder production line	N/A[(1)]	

Facility	Location	Site Area *(sq.m.)*	GFA *(sq.m.)*	Production Workshop	Production Line	Major Products Produced	API and Other Workshops
Chengmai facility	Chengmai, Hainan	259,371	18,897	Cephalosporin workshop	Oral suspensions production line	N/A[(1)]	N/A
					Granule production line	N/A[(1)]	
					Capsule production line	N/A[(1)]	
				Penicillin workshop	Oral suspension production line	N/A[(1)]	
					Granule production line	ZAILIN granules	
					Capsule production line	ZAILIN capsules	
					Tablet production line	ZAILIN dispersible tablets	
Yantai facility	Yantai, Shandong	47,873	17,599	Recombinant human endostatin injection workshop	Large molecule injectable solution production line	Endostar	N/A
Wuhu facility	Wuhu, Anhui	20,000	3,069	Implant workshop	Implant production line	Sinofuan	N/A

Note:

(1) These production lines are designated for production of pharmaceutical products that are not our major products.

Expansion Plan

We plan to increase our production capacity by constructing new production facilities, new production workshops and new production lines to meet the demand for our pharmaceutical products in different dosage forms. The following table sets forth additional details of our major expansion and upgrade plan for our production facilities:

Production facility	**Production workshop**	**Description**	**Actual/estimated time of commencement of pilot-scale production[(1)]**	**Annual designed production capacity**	**Estimated total capital expenditures and source of funding**
Nanjing facility	Small volume injectable solution workshop	Construction of a new production line for the production of terminal sterilized small molecule injectable solutions packaged in vials in our product pipeline	December 2020	26 million vials	– Approximately RMB19 million – Internal financial resources
Yaogu facility	A new lyophilized powder for injection workshop	Construction of a new production workshop for the production of non-antineoplastic small molecule lyophilized powder for injection in our product pipeline	March 2020	23 million vials	– Approximately RMB68 million – Internal financial resources

Production facility	Production workshop	Description	Actual/estimated time of commencement of pilot-scale production[(1)]	Annual designed production capacity	Estimated total capital expenditures and source of funding
	A new sterile injectable solution workshop	Construction of a new production workshop for the production of sterile small molecule injectable solutions packaged in ampoules in our product pipeline	August 2021	23 million ampoules	– Approximately RMB82 million – Internal financial resources
A new production facility in Nanjing	Large molecule pharmaceutical workshop	Construction of a new production facility for the production of mAbs and certain other biologics in our product pipeline (including both drug substances and products)	December 2020	– Drug substance: 34,000 liters; – Drug product: 3 million vials	– Approximately RMB0.2 billion – Internal financial resources
A new production facility in Shanghai	A new pilot-scale workshop for cell therapy products	Construction of a new workshop for CMC and clinical research of cell therapy products in our product pipeline (including the phase II clinical trial for BCMA CAR T-cell therapy)	January 2021	– Autologous cell therapy pharmaceuticals: for 300 to 400 people – Allogeneic cell therapy pharmaceuticals: for 2,000 people	– Approximately RMB60 million – Internal financial resources

Production facility	Production workshop	Description	Actual/estimated time of commencement of pilot-scale production[1]	Annual designed production capacity	Estimated total capital expenditures and source of funding
A new production facility in Shanghai	A new production facility for cell therapy products	Construction of a new production facility for the commercial-scale production of cell therapy pharmaceuticals in our product pipeline, such as CD19 CAR T-cell therapies and BCMA CAR T-cell therapy	–[2]	– For 3,000 to 4,000 people	– Approximately RMB275 million – Internal financial resources

Note:

(1) Commercial-scale production in such production facilities will commence upon the launch of relevant product candidates.

(2) This production facility will be constructed for commercial-scale production only.

We are constructing the new production facility, production workshop and production line above mainly due to special production process requirements for certain products in our pipeline. For example, our existing small molecule injectable solution production line in our Nanjing facility is only able to manufacture terminal sterilized small molecule injectable solutions packaged in ampoules, while some products in our pipeline are expected to be terminal sterilized small molecule injectable solutions packaged in vials or non-terminal sterilized small molecule injectable solutions packaged in ampoules. Our existing small molecule lyophilized powder for injection production line in our Nanjing facility is only able to manufacture antineoplastic pharmaceuticals, while some products in our pipeline are expected to be non-antineoplastic pharmaceuticals. In addition, our existing large molecule injectable solution production line in our Yantai facility is only able to manufacture pre-filled injectable solutions in pre-filled syringes, while certain biologics in our product pipeline are in the form of lyophilized powder for injection or injectable solutions packaged in vials.

In addition, our existing production facilities are incapable for pilot-scale or commercial-scale production of cell therapy products, the manufacturing of which is complex and difficult due to the variability of collected cells from individual patients. We are currently constructing a new workshop for the pilot-scale production of cell therapy products in our product pipeline. With small scale and high flexibility, such pilot-scale production can adapt to various

production processes and thereby support CMC and clinical research of different cell therapy products. We also plan to construct a new production facility for the commercial-scale production of cell therapy products in our product pipeline in preparation for their commercial launch.

We believe the following factors substantiate sufficient market demand for the expected increase in our production capacity for injectables:

- the historical growth rates in our sales;
- our robust pipeline of product candidates and near-commercial products with significant market potential;
- our strategy to increase our market coverage through efficient academic marketing efforts;
- any unexpected increases in market demand for pharmaceuticals in our product portfolio; and
- our potential acquisitions in the future.

Raw Material Suppliers and Procurement

The principal raw materials used for the production of our pharmaceutical products primarily consist of APIs, chemicals used to produce APIs, excipients and packaging materials. We source such raw materials primarily from third-party suppliers in China. We also produce certain APIs used in the manufacturing of our pharmaceutical products in-house, and we own the mining rights to a diosmectite mine that produces diosmectite, a raw material used in the manufacturing of Biqi.

We adopt stringent supplier selection procedures. Potential suppliers are assessed based on various factors including their product offerings, quality, corporate management, reputation and business scale and pricing. Our suppliers are required to possess all licenses and permits necessary for their operations. We also request potential suppliers to conduct small-batch sample production and inspect the samples to determine if they meet our requirements. Only those suppliers which fulfil all our requirements are selected. We maintain an approved suppliers list and we only source raw materials from these suppliers. We routinely review and assess our suppliers' performance and check their qualifications to ensure the legality and quality of our raw materials, and update the approved suppliers list every three months. Those suppliers who fail to meet our requirements are removed from our approved suppliers list.

We generally place purchase orders with our raw material suppliers on an as needed basis and do not have agreements with them lasting longer than one year. Nevertheless, we are able to maintain long-term business relationships with most of our raw material suppliers. The purchase price of our raw materials is primarily based on the prevailing market prices for raw

materials of similar quality. We normally pay our suppliers via wire transfer or bank acceptance bills. Typically, we are required to make full prepayment, or are given at least 20 days' credit terms, by our suppliers. Our suppliers are generally responsible for arranging the delivery of raw materials to our production facilities at their own costs. We are entitled to return any raw materials that do not meet our requirements.

Our principal raw materials are generally readily available in the market through a number of suppliers. We believe we have alternative sources for our principal raw materials with comparable quality and pricing. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in the supply of raw materials.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant increases in the prices of our major raw materials or fluctuations in raw material costs which had a material adverse impact on our results of operations or gross profit margins. Please see "Risk Factors – Risks Relating to Our Business and Industry – We depend on the supply of certain raw materials and pharmaceutical products, and a decrease in the supply, or an increase in the cost, of raw materials, or any shortage or delay in the supply of pharmaceutical products, could severely disrupt our business as well as materially reduce our revenue and profit."

For the sensitivity analysis and breakeven analysis of the cost of raw materials, please see "Financial Information – Description of Key Statements of Profit or Loss Items – Cost of sales."

Inventory Management

Our inventory primarily consists of finished products, work in progress and raw materials. We have established an inventory management system that monitors each stage of the warehousing process. Our warehousing personnel are responsible for the inspection, storage and distribution of raw materials and finished products. All raw materials and products are stored in different areas in our warehouses according to their respective storage condition requirement, properties, usage and batch number. Our warehousing personnel regularly check to ensure consistency among the raw material or product, logbook and material card.

We closely monitor our inventory levels and generally keep one-to-three month stock of our finished products. We generally purchase raw materials based on their useful lives and required lead time. For raw materials with longer lead times, we generally maintain two to three months' stock.

We make provision for inventories primarily with a shelf life of less than six months in accordance with HKFRS. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we made provision for impairment loss of our inventories in the amount of RMB6.6 million, RMB7.6 million, RMB5.6 million and RMB9.8 million, respectively.

QUALITY CONTROL

We believe that an effective quality control system is critical to ensure the quality of our products and maintaining our reputation and success. We have obtained GMP certifications for all of our workshops and production lines. We have also received EU GMP certification for the production of our Biqi-branded diosmectite powder in our Yaogu facility. In addition, we have passed the U.S. FDA inspection for our solid dosage form production workshop in our Nanjing facility. Our Yaogu facility and Nanjing facility have been granted ISO9001 certifications for their quality management systems.

Our senior management team is actively involved in formulating internal quality control policies and monitoring our overall quality control process. We have established comprehensive quality control procedures and protocols that span across the entire production lifecycle from raw material sourcing till the final products are delivered to customers. Our quality control personnel are independent from our production team and are responsible for the implementation of such procedures and protocols. Most of our quality control personnel have pharmaceutical or related educational background. We also conduct regular training so that our quality control personnel understand the regulatory requirements applicable to the operation of our production facilities. In addition, we utilize equipment and devices to inspect, test and ensure the quality of our raw materials, production-in-progress and final products.

Key aspects of our quality control procedures are as follows:

Raw Material Quality Control

We purchase raw materials used in our production only from approved suppliers. Please see "– Production – Raw Material Suppliers and Procurement" for more details about our supplier selection procedures.

We examine our incoming raw materials to confirm they meet our quality requirements. Our warehousing personnel verify the incoming raw materials by checking packaging information before taking delivery. Incoming raw materials are stored in quarantined areas upon receipt. Our quality control team subsequently selects samples for testing to verify the quality. Our warehousing personnel dispatch incoming raw materials for use in our production processes that have passed such quality control tests.

Production In-process Quality Control

Our advanced automated production equipment is able to screen out and discard semi-finished products that fail to meet quality standards during the production process. In addition, our quality control team conducts sample testing on certain semi-finished products at particular stages of production to ensure that they meet our quality standards, such as physical appearance (including the shape of capsules and granules), ingredient composition and drug content.

Our quality control team is responsible for verifying that our production processes continuously comply with GMP requirements. We require our production operators to adhere to our standard operating and equipment operation procedures and our quality control team regularly inspects our production processes on-site. After the completion of each production process, we perform cleaning procedures to prevent contamination or cross contamination, and our quality control team verifies that the production line has been properly cleaned before we proceed to the next production process. All of our cleaning procedures have been validated before their implementation.

Final Product Quality Control

Each batch of final products is subject to a sample tests by our quality control team. Before we deliver our final products to customers, our quality control team inspects the documentation relating to the quality of a product, including its batch records, laboratory testing records, production process records and other information that may impact product quality. Our quality director conducts a final review of all documents and make the final decision as to whether the products can be released for sale. Final products that do not meet our quality standards can not be released and they are destroyed or otherwise disposed of based on the judgement of our quality director. Only final products that have been released by our quality control personnel can be sold into the market.

SALES, MARKETING AND DISTRIBUTION

Overview

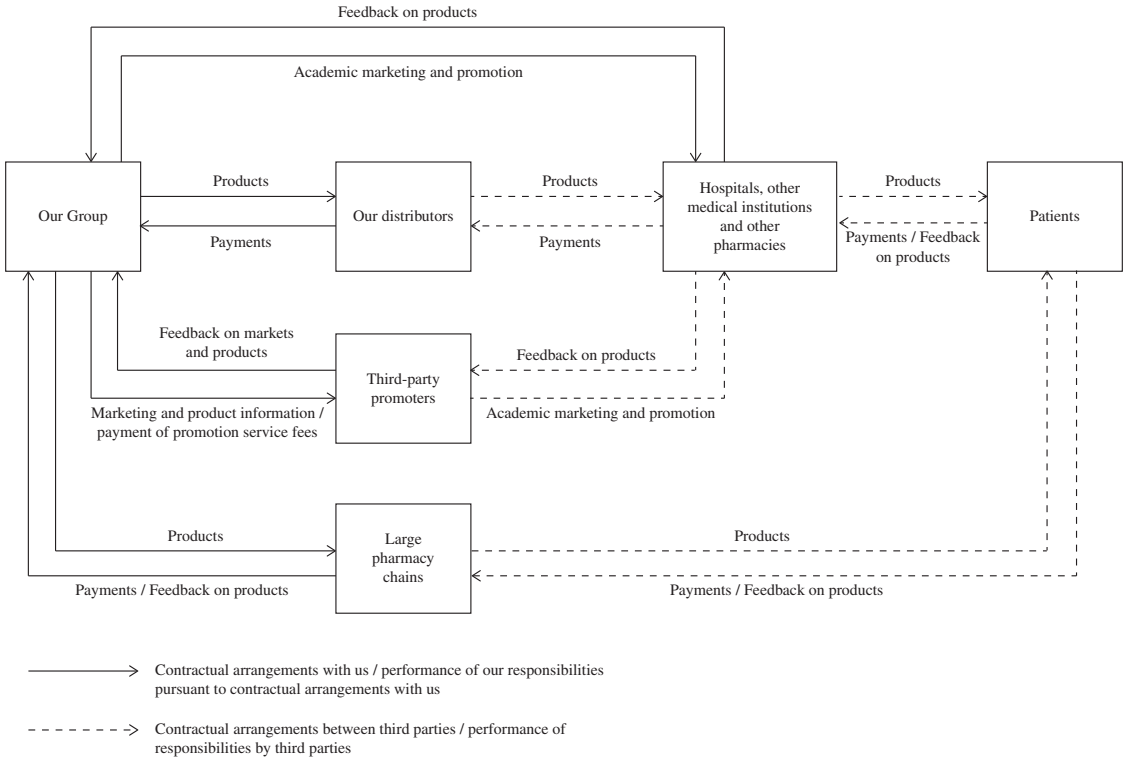
We promote our pharmaceutical products primarily through our in-house sales and marketing team, which interacts with KOLs as well as other healthcare professionals through comprehensive academic marketing activities. We believe our academic marketing activities enhance healthcare professionals' knowledge about the relevant therapeutic areas, as well as their understanding of the usage, clinical efficacy and other features of our products. We also engage third-party promoters to promote our products in a small number of medical institutions located in lower-tier cities or regions or that are otherwise not covered by our in-house sales and marketing team. In addition, we provide promotion services to certain other pharmaceutical manufacturers through our in-house sales and marketing team.

We sell our products and third-party products primarily to distributors, which distribute such products to hospitals, other medical institutions and pharmacies in China. To a lesser extent, we also sell our products and third-party products directly to large-scale national or regional pharmacy chains in China. During the Track Record Period, we also exported Biqi-branded diosmectite powder to overseas countries including France and Lithuania, through distributors.

The table below sets forth a breakdown of our revenue from sales of pharmaceuticals by distribution channels during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Distributors	3,577,804	93.2	3,925,095	91.1	4,356,479	90.8	2,069,366	90.6	1,565,732	86.8
Direct sales	259,175	6.8	384,053	8.9	443,844	9.2	214,184	9.4	237,666	13.2
Total	3,836,979	100.0	4,309,148	100.0	4,800,323	100.0	2,283,550	100.0	1,803,398	100.0

The following diagram illustrates the interactions among our third-party promoters, distributors, hospitals and other medical institutions, pharmacies, patients and us in connection with sales, marketing and distribution of our pharmaceutical products in China:



In-House Sales and Marketing Team

Our in-house sales and marketing team is primarily responsible for the promotion of our products through various academic marketing activities to hospitals and other medical institutions and direct sales to large-scale national or regional pharmacy chains. Our in-house sales force is organized by therapeutic areas and geographical regions. As of June 30, 2020, our in-house sales and marketing team included over 2,800 in-house employees spanning 31 provinces, municipalities and autonomous regions across China, covering approximately 2,100 Class III hospitals, approximately 17,000 other hospitals and medical institutions, as well as more than 200 large-scale national or regional pharmacy chains. As of the same date, our core sales and marketing personnel had an average of over 10 years of pharmaceutical industry-related experience, and over 40% of them held bachelor's degrees or above in medicine, pharmacy or related majors. We believe that an in-house sales and marketing team with a relatively high level of industry knowledge and expertise is important to implement our academic marketing approach and to maintain our reputation and brand image.

Our sales and marketing personnel are required to strictly adhere to our detailed procedures, policies and guidelines, including but not limited to a code of conduct on interacting with, and promoting our products to, healthcare professionals. Please see "– Internal Control and Risk Management."

Marketing Support

Our in-house sales and marketing team works closely with several other departments at the headquarters level on the promotion of our products. We believe this centralized approach enables us to continuously enhance our brand recognition, market share and market penetration in an efficient manner.

- *Medical market department (醫學市場部).* Our medical market department at the headquarters level is responsible for developing the overall sales and marketing strategies for each of our products. Before a product is launched, our medical market department conducts extensive market research and analysis and, based on the product's clinical features and competitive positioning, establishes its branding strategies and tactics and allocates an adequate level of marketing resources. Our medical market department also provides our sales and marketing personnel with the medical information and academic data of our products to support our product promotion initiatives, which will be continuously updated over the relevant products' life cycle.

- *Strategic account department (戰略客戶部).* Our strategic account department at the headquarters level supports our sales and marketing efforts by (i) analyzing applicable laws and regulations in China's pharmaceutical industry and formulating corresponding growth strategies in a timely manner, (ii) when suitable opportunities

arise, procuring our products' entry into the NRDL or other government-sponsored medical insurance programs, and (iii) preparing tender documents and participating in the centralized tender process.

- *Commercial Operation Management Center (營銷管理中心).* Our commercial operation management center at the headquarters level is responsible for managing the overall effectiveness of our sales and marketing initiatives and analyzing business data in order to optimize the efficiency of our sales and marketing efforts. In order to motivate our sales and marketing personnel, our commercial operation management center evaluates their performance periodically with reference to key performance indicators, and these evaluations are directly linked to their remuneration.

Our dedicated training department regularly provides in-house trainings to our sales and marketing personnel to enhance their knowledge about our products and professional skills. We also sponsor external training courses and programs for our sales and marketing personnel from time to time.

Academic Marketing

We place strong emphasis on the academic marketing and promotion of our products. We organize, sponsor and participate in a wide variety of academic conferences, seminars and symposia, ranging from large-scale national and regional conferences to smaller local events tailored for specific hospital departments, to continuously enhance our brand recognition. For example, we have sponsored numerous academic conferences held by academic or professional associations such as the CSCO, the Chinese Medical Association Neurology Branch (中華醫學會神經內科分會), the Chinese Medical Association Neurosurgery Branch (中華醫學會神經外科分會) and the Chinese Medical Doctor Association (中國醫師協會).

We have established long-term relationships with a number of renowned physicians and other healthcare professionals in our target therapeutic areas. We consider these physicians and other healthcare professionals to be KOLs based on their professional qualifications, previous publications as well as academic standing and recognition within the relevant therapeutic area. We invite KOLs to attend national and regional conferences, share the latest industry developments and their experience in the relevant therapeutic areas.

In addition, our sales and marketing personnel visit healthcare professionals at our target hospitals and other medical institutions regularly to provide them with the most updated product information. We communicate with these healthcare professionals about the usage, clinical efficacy, safety and other features of our products and provide them with other product information such as the latest clinical research results and essays on the latest development of these products from well-known medical journals. We believe these hospital visits help assist the healthcare professionals in making independent evaluations of our products and alternative

therapies in the market. Such visits also enable us to collect valuable feedback and market intelligence on our products, based on which we are able to continuously optimize our existing portfolio of products and to identify potential new products with unmet medical needs for commercialization.

Third-party Promoters

To supplement our in-house sales and marketing capabilities, we engage third-party promoters to promote our products in medical institutions located in lower-tier cities or regions or that are otherwise not covered by our in-house sales and marketing team. We select third-party promoters based on their qualifications, reputation, marketing experience, management capabilities and hospital coverage. As of June 30, 2020, we had 81 third-party promoters.

We generally enter into annual promotion agreements with such third-party promoters, pursuant to which they are responsible for promoting our specified products in the designated geographic areas. Our third-party promoters are promotion service companies, the scope of whose services includes the promotion of our products to healthcare professionals by visiting hospitals and other medical institutions, disseminating product information, such as the mechanism of action and therapeutic benefits of our products, collecting market intelligence, as well as the formulation and implementation of annual promotion plans. Our third-party promoters typically receive service fees from us on a cost-plus basis. Pursuant to the annual promotion agreements, our third-party promoters are generally not allowed to promote any other products that compete with, or have any conflict of interest with, any of our products. Upon any breach of such non-competition undertaking by any third-party promoter, we may terminate the relevant agreement with such promoter and are entitled to claim damages from it. We require some of our third-party promoters to make performance deposits with us, which may be forfeited in the event of certain breaches of the promotion agreements, such as any breach of their non-competition undertaking. We also require our third-party promoters to strictly comply with the anti-bribery requirements in our promotion agreements.

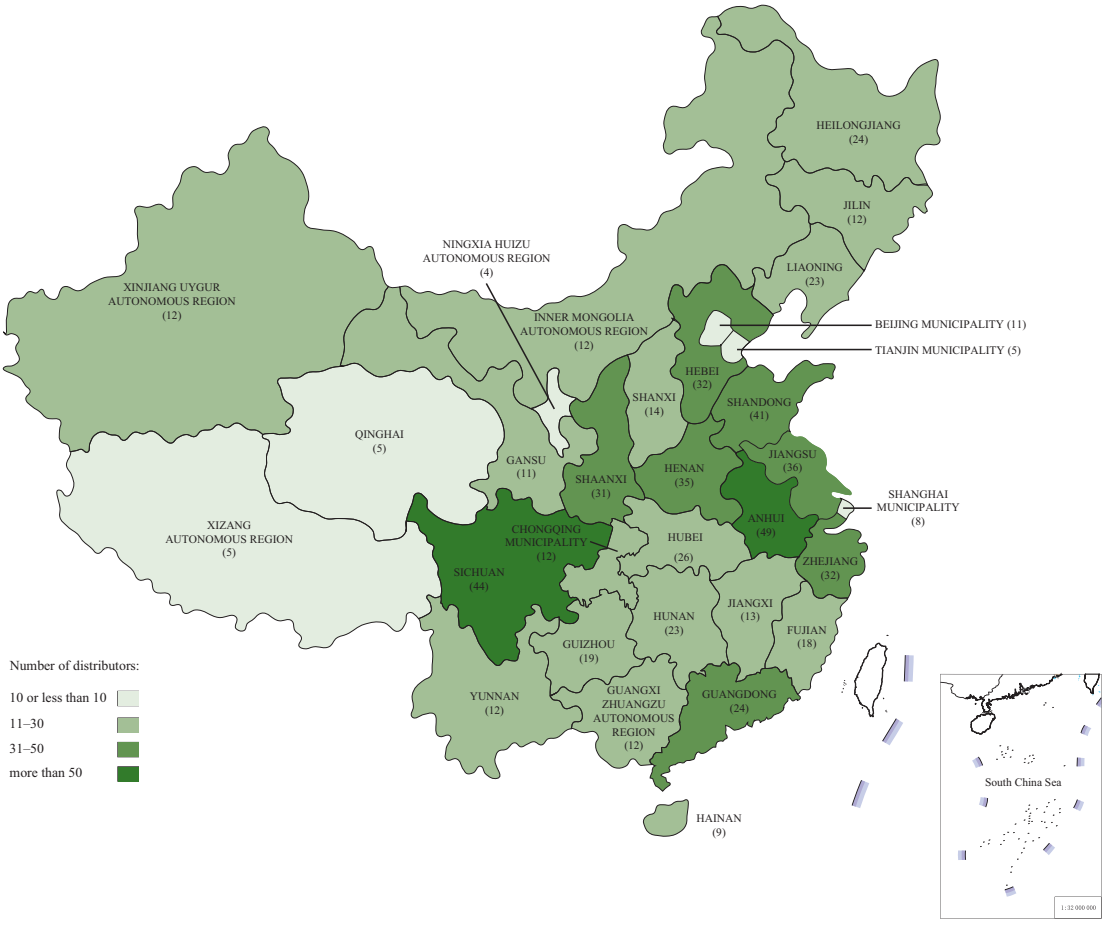
Distributors

We sell a substantial majority of our products to third-party distributors and depend on distributors for a substantial portion of our revenue. Our distributors are our direct customers, and are responsible for on-selling and delivering our products to hospitals, other medical institutions and pharmacies. Our distributors are not authorized by us to use our trade name or any other material which may lead others to believe that they are acting on our behalf.

We benefit from our distributors' established distribution channels and local resources to save costs that would otherwise be required to establish and maintain a nationwide logistics network across the PRC on our own, and to increase the effectiveness of launching and selling our products in our target markets within a short period of time. We believe our distributorship model is in line with industry norm.

As of June 30, 2020, our distribution network comprised 614 distributors spanning all 31 provinces, municipalities and autonomous regions across China. As of June 30, 2020, we also had two distributors for distribution in France and Lithuania, respectively. To the best knowledge of our Directors, during the Track Record Period, all of our distributors were Independent Third Parties, and none of our distributors were wholly-owned or majority controlled by our current or ex-employees. In addition, to the best knowledge of our Directors, there is no other relationship or arrangement (including family, business, financing, guarantee or otherwise in the past or present) between the distributors engaged by us during the Track Record Period and us.

The following map illustrates the geographical coverage of our distributors in the PRC as of June 30, 2020:



The following table sets forth the movement of the number of our distributors for the periods indicated below:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Number of distributors at the beginning of the period	492	722	827	750
Addition of new distributors[(1)]	352	263	146	69
Termination of existing distributors[(2)]	122[(3)]	158[(4)]	223[(5)]	203[(6)]
Net increase/(decrease) in distributors	230	105	(77)	(134)
Number of distributors at the end of the period	722[(7)]	827[(7)]	750[(7)]	616[(7)(8)]

Notes:

(1) New distributors refer to distributors who (i) had at least one transaction with us in the relevant period; and (ii) did not have any transaction with us in the immediately preceding financial year.

(2) Terminated distributors refer to distributors who (i) did not have any transaction with us in the relevant period; and (ii) had at least one transaction with us in the immediately preceding financial year.

(3) Among these distributors, we had business relationships with 107 for less than five years, with 12 for five to 10 years and with three for more than 10 years.

(4) Among these distributors, we had business relationships with 149 for less than five years, with five for five to 10 years and with four for more than 10 years.

(5) Among these distributors, we had business relationships with 201 for less than five years, with 13 for five to 10 years and with nine for more than 10 years.

(6) Among these distributors, we had business relationships with 176 for less than five years, with 19 for five to 10 years and with eight for more than 10 years.

(7) Although we have granted a national exclusive distribution right to Jiangsu Simcare Pharmaceutical to distribute Simcare Compound Zinc Gluconate and Ibuprofen Granules (再康複方鋅布顆粒), during the Track Record Period, Jiangsu Simcare Pharmaceutical was also a customer of our direct sales and purchased various pharmaceuticals, including, among others, Iremod, Endostar and Softan, from us for its retail sales through its self-owned pharmacies. Please see "Connected Transactions – Partially-exempt Continuing Connected Transactions – 11. Simcare Sales and Distribution Framework Agreement" for more details. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total amount of our sales of pharmaceuticals to Jiangsu Simcare Pharmaceutical was RMB13.8 million, RMB8.3 million, RMB9.1 million and RMB8.0 million, respectively. In particular, our sales of Simcare Compound Zinc Gluconate and Ibuprofen Granules to Jiangsu Simcare Pharmaceutical amounted to RMB2.4 million, RMB1.1 million, RMB0.9 million and RMB0.3 million, respectively, while our sales of other pharmaceuticals to Jiangsu Simcare Pharmaceutical amounted to RMB11.4 million, RMB7.2 million, RMB8.2 million and RMB7.7 million, respectively, for the same periods. Therefore, during the Track Record Period, we classified Jiangsu Simcare Pharmaceutical as a direct sales customer, rather than a distributor, and accordingly, the number of our distributors disclosed in the table above does not include Jiangsu Simcare Pharmaceutical.

(8) Among these distributors, as of June 30, 2020, we had business relationships with 359 for less than five years, with 122 for five to 10 years and with 135 for more than 10 years.

During the Track Record Period, our additions of new distributors primarily reflected (i) our continued sales growth, and (ii) for 2017 and 2018, our increasing coverage and penetration of county-level, community and rural hospitals and other medical institutions. Our terminations of distributors primarily reflected subpar performance, and an industry consolidation trend among distributors. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate revenue attributable to our new distributors was RMB200.9 million, RMB171.0 million, RMB128.3 million and RMB68.1 million, respectively, while the average revenue attributable to our new distributors was RMB0.6 million, RMB0.7 million, RMB0.9 million and RMB1.0 million, respectively. For the years ended December 31, 2017, 2018 and 2019, the aggregate revenue attributable to distributors terminated in the following financial reporting period (namely, 2018, 2019 and the six months ended June 30, 2020) was RMB107.5 million, RMB77.1 million and RMB169.8 million, respectively, while the average revenue attributable to these distributors was RMB0.7 million, RMB0.3 million and RMB0.8 million, respectively.

There were no material disputes or litigations between the terminated distributors and us during the Track Record Period and up to the Latest Practicable Date.

Terms of Distribution Agreements

We enter into distribution agreements with our distributors. Individual sales contracts or purchase orders are generally separately entered into or placed for each purchase. Key terms of our distribution agreements include:

- ***Term***. Typically one year for domestic distributors, while up to 13 years for overseas distributors.

- ***Designated distribution area***. Distributors are generally not allowed to sell or distribute our products outside of their designated distribution areas.

- ***Exclusivity***. Domestic distributors are granted the distributorship of specified certain types of products in their designated distribution areas generally on a non-exclusive basis, while overseas distributors are generally granted the distributorship on an exclusive basis.

- ***Sub-distributors***. Due to the implementation of the "dual invoicing system" in China, generally our distributors are legally prohibited from engaging sub-distributors for distribution of our products to public medical institutions in the PRC. For distribution of our products to private medical institutions and pharmacies in the PRC and to overseas countries, we do not require our distributors to seek our prior approval to engage sub-distributors. We do not have contractual relationships with sub-distributors engaged by our distributors, nor do we manage such sub-distributors directly. Instead, we rely on our distributors to supervise their respective sub-distributors.

- ***Sales target and minimum purchase requirement***. We set annual sales targets for our domestic distributors. We do not grant any incentives or impose any penalties in connection with these sales targets. We do not stipulate any minimum purchase requirements for our domestic distributors. However, we generally stipulate annual minimum purchase requirements and/or minimum purchase requirements per order for our overseas distributors, and we are entitled to engage additional distributors for the designated distribution area of the relevant overseas distributor if such distributor fails to meet the minimum purchase requirements.

- ***Pricing***. Our selling prices to distributors are fixed during the term of the distribution agreements. In the event of a retail price change as a result of regulatory or policy changes or centralized tender processes during the term of distribution agreement, we and the relevant distributor may negotiate price adjustments accordingly. However, in the event that any retail price changes after our products are delivered to our distributors but before they are sold to medical institutions, we may bear the upside potential as well as downside risk from any such retail price change for the relevant products. Please see "Risk Factors – Risks Relating to Our Business and Industry – The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease, which could materially and adversely affect our profitability." We offer discounts to certain domestic distributors in recognition of their compliance with the terms of the distribution agreements.

- ***Resale price management***. We generally do not control the prices at which our distributors resell our products to their customers.

- ***Inventory level***. We generally do not require our distributors to maintain a minimum inventory level.

- ***Return of products***. We generally do not allow product returns or exchanges except for defective products, which is subject to approval by our designated personnel from our quality control team. We generally do not accept the return of non-defective unsold or expired products.

- ***Access to information***. Distributors are required to provide us with access to information at our request, including providing us with procurement, sales and inventory data of our products or with access to such information through their information technology system.

- ***Credit terms***. We generally grant our distributors credit terms of 30 to 90 days, with longer terms granted to selected distributors with whom we have built a strong business and financial track record. We also require prepayments for product deliveries to our distributors in certain instances from a credit control perspective.

- ***Confidentiality***. Both parties have non-disclosure obligations, and undertake to only use each other's trade secrets and other business information to the extent necessary and not to disclose such trade secrets or other business information to any third party.

- ***Termination***. We may terminate the distribution agreements in the event of, among others, (i) any material breach by our distributors, such as sales outside of their designated distribution areas and providing falsified sales data; or (ii) any other breach by our distributors that is not remedied within a prescribed time-period.

We have a seller-buyer relationship with our distributors. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery to and acceptance by them. Consequently, we recognize revenue from sales to our distributors upon delivery of our products to and acceptance by them. Our distributors on-sell our products to their customers, which do not have any contractual relationships with us and are not imposed with any of our control or oversight.

Distributor Management

We select our distributors based on their proven distribution abilities, familiarity with their own target markets, financial strength, credit records and scale of operations. We require all our distributors to possess all licenses and permits necessary for the sales and distribution of pharmaceutical products. We require our distributors to adhere to the latest GSP standards for cold-chain storage and transportation so that they can deliver our products to covered medical institutions and pharmacies in a safe and timely manner.

Where a distributor breaches the relevant distribution agreement, including non-compliance with applicable laws and regulations, we will give the distributor a notice and require rectification. If no remedial action is taken within a prescribed time period, we will have the right to terminate the relevant distribution agreement. During the Track Record Period, we did not terminate our business relationship with any distributors due to their breach of their distribution agreements or their non-compliance with regulatory requirements.

Prevention of Cannibalization

In order to manage the risk of cannibalization of sales among our distributors, we have adopted the following measures:

- ***Geographic restrictions***. We specify the designated distribution area for which our distributors are responsible in our distribution agreements with them. The agreements also prohibit distributors from selling our products outside their respective designated distribution areas without our prior written consent.

- ***End customer monitoring***. Our distributors focus on different distribution channels (such as hospitals, other medical institutions and pharmacies) and target distinct end customers. We communicate closely with end customers and their respective personnel, such as healthcare professionals, through our academic marketing activities in order to understand the actual usage of our products.

- ***Accountability policy***. For any unauthorized sales, we may penalize the relevant distributors according to the terms of our distribution agreements with them, including a penalty of RMB10,000 and the termination of relevant distribution agreements.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material cannibalization or competition among our distributors within the same geographical area. Our Directors are of the view that the above measures are sufficient to mitigate potential cannibalization and competition among distributors.

Inventory Management and Control

We have implemented the following policies and measures, which, combined with our product return policies and the independence of our distributors, help ensure that our sales to distributors reflect genuine market demand and mitigate the risk of inventory accumulation in the distribution channels.

We generally grant our distributors credit terms of 30 to 90 days, and typically only grant longer credit terms to major distributors on a case-by-case basis based on our assessment. We believe that the short credit term requires our distributors to effectively manage their cash flow and ensure that procurements are made based on actual demand. This is particularly effective for our small-to medium-scale distributors, which we believe generally have more limited capital resources.

In addition, we are entitled to require distributors to provide us with access to their sales data at our request. In general, we review and evaluate sales data of our distributors on a quarterly basis to enable us to make periodic assessments of actual market demand for our products and analyze the inventory levels of our distributors. We actively adjust our sales strategy and geographic or product coverage of each distributor based on market demand and each distributor's capacity. During the Track Record Period and up to the Latest Practicable Date, we did not notice any unusually large procurements that were inconsistent with distributors' past practices, nor did we notice any abnormally high inventory level of our distributors.

Anti-corruption and Anti-bribery Measures

Distributors are generally subject to anti-corruption and anti-bribery obligations pursuant to the terms of our distribution agreements, under which distributors (i) are required to comply with PRC laws and regulations, including anti-corruption and anti-bribery laws and

regulations; and (ii) are prohibited from making, proposing, promising or authorizing payment of money or anything of value to government officers or other personnel acting on behalf of government authorities or State-owned enterprises for the purpose of affecting their behaviors or decisions. Please see "– Internal Control and Risk Management."

During the Track Record Period and up to the Latest Practicable Date, we did not provide financing to any of our distributors except for credit terms we granted to them under the relevant distribution agreements. There were no material product returns from our distributors during the Track Record Period. Please see "– Product Returns and Warranties" for more details.

Direct Sales

To a lesser extent, we also sell our products and third-party products directly to large-scale national or regional pharmacy chains in China. We enter into standardized annual direct sales agreements with these pharmacy chains while individual sales contracts are separately entered into for each purchase. Pursuant to such annual direct sales agreements, our direct sales customer are required to purchase the designated products solely from us, and to sell such products in pharmacy stores operated by them or, with our written authorization, through online channels. We set annual sales targets for our direct sales customers but we do not grant any incentives or impose any penalties in connection with these sales targets. We offer discounts to our direct sales customers based on their total purchases from us. We are responsible for the delivery of our products to our direct sales customers at our own costs. Generally, we do not allow product returns or exchanges except for defective products, which is subject to approval by our designated personnel. Our direct sales customers are required to maintain a prescribed inventory level to ensure the timely delivery of our products. We typically grant our direct sales customers a credit term of 60 days and they pay us via wire transfer or bank acceptance bills. We may terminate the annual direct sales agreements in the event of (i) any material breach by our direct sales customers; or (ii) any other breach by pharmacy chains that is not remedied within a prescribed time-period.

Logistics Arrangement

We generally use third-party logistics service providers to transport our products to our distributors and other direct customers in the PRC. We have entered into logistics service agreements with these providers, pursuant to which they are responsible for any loss caused by their negligence during the course of their logistics services, including transfer, loading, unloading, transportation and delivery to our customers.

Distribution and Promotion of Third-party Pharmaceutical Products

In addition to our pharmaceutical products that we manufacture in-house, we market and/or sell third-party pharmaceutical products from reputable pharmaceutical companies, such as OLMETEC PLUS (olmesartan medoxomil and hydrochlorothiazide tablets) developed and manufactured by Daiichi Sankyo and Yingtaiqing-branded diclofenac sodium sustained-release

capsules manufactured by CPU Pharma, which further enhances the breadth and competitive strength of our product portfolio in the relevant therapeutic areas. Due to the gradual implementation of the "dual invoicing system" across China from early 2017, which is aimed at eliminating the multi-tiered distribution of pharmaceutical products by allowing a maximum of two invoices between a manufacturer and a public medical institution and currently applies to the sales of all pharmaceutical products to public medical institutions in all provinces, municipalities and autonomous regions in China, we have gradually ceased to purchase products from third-party pharmaceutical companies for subsequent onselling and distribution to medical institutions through our distributors, due to the existence of more than two invoices under such sales model. Instead, we provide promotion services in respect of third-party pharmaceutical products distributed to medical institutions, while for third-party pharmaceutical products distributed to pharmacies (which are not subject to the "dual invoicing system"), we continue to purchase products from third-party pharmaceutical companies and sell and distribute these products to our distributors or directly to national or regional pharmacy chains. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Dual Invoicing System" for more details about the "dual invoicing system."

When we sell and distribute third-party pharmaceutical products (currently only applicable for distribution to pharmacies as discussed above), we purchase products from third-party pharmaceutical companies and earn a margin from on-selling and distributing such products to our distributors and national or regional pharmacy chains. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we sold and distributed third-party pharmaceutical products from 13, 14, 11 and eight pharmaceutical companies. We have entered into distribution agreements with such pharmaceutical companies with terms of up to 10 years, which have granted us the right to sell specified certain types of their products in China. These pharmaceutical companies generally do not control the prices at which we resell their products to our customers. Typically, we are required to make full prepayment, or are given 30 to 90 days' credit terms, by such pharmaceutical companies. These pharmaceutical companies are generally responsible for arranging delivery of our purchases to locations designated by us, and we are generally entitled to return any defective products. For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, our revenue generated from sales of third-party pharmaceutical products amounted to RMB358.7 million, RMB327.1 million, RMB376.4 million and RMB200.5 million, respectively.

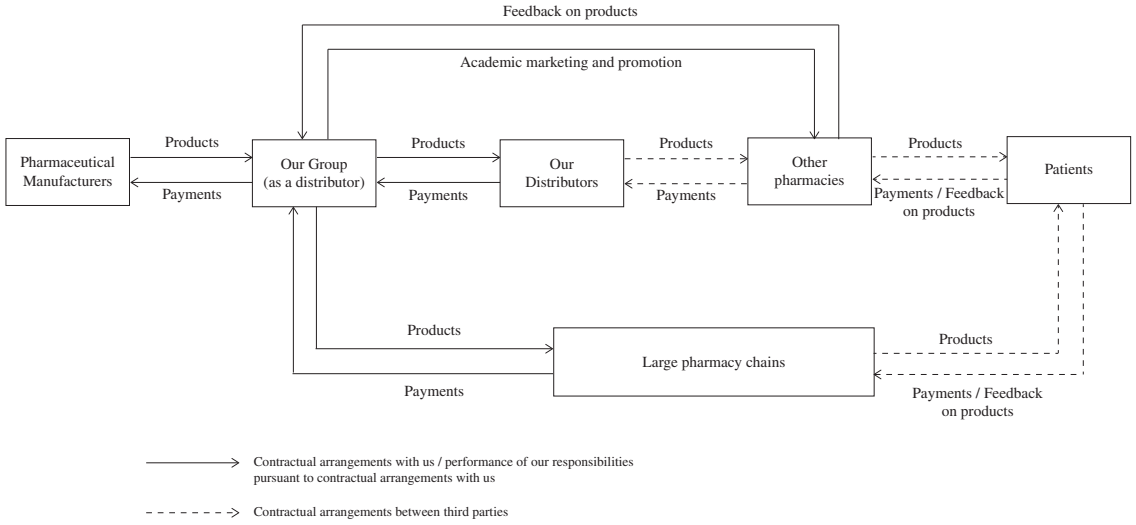
We provide promotion services primarily to third-party pharmaceutical companies pursuant to promotion agreements with such pharmaceutical companies on an exclusive basis, or promotion clauses in our distribution agreements with such pharmaceutical companies, with terms of up to 10 years. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we provided promotion services to four, five, five and five third-party pharmaceutical companies. The relevant products which we promoted under such arrangement included OLMETEC PLUS (olmesartan medoxomil and hydrochlorothiazide tablets), Yingtaiqing (diclofenac sodium sustained-release capsules), TB-PPD (purified protein derivative of tuberculin), Faneng (alfacalcidol soft capsules) and Trazodone (trazodone hydrochloride tablets). Pursuant to the promotion agreements or clauses, we provide these

pharmaceutical companies with comprehensive services of arranging for these pharmaceutical companies to sell their products to our distributors in China through various channel management activities, including, among others, conducting extensive market research and analysis on the relevant products and their competing products, interacting with KOLs and healthcare professionals at the target medical institutions as well as assisting third-party pharmaceutical companies in visiting local authorities to introduce the usage, clinical efficacy, safety and other features of the relevant products, collecting feedback on the relevant products generated from their clinical use, and organizing a wide variety of other promotion activities, such as academic conferences, seminars, symposia, lectures, trainings and courses, to enhance patients' and healthcare professionals' knowledge about the relevant products and their indications, all of which require significant investment of manpower and other resources by us. In return, we are generally entitled to receive promotion fees calculated as a percentage of our arranged distributors' total purchases based on the national average bidding prices of the relevant products. We generally grant such pharmaceutical companies credit terms of up to 90 days. For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, we recorded promotion service income of RMB30.9 million, RMB205.1 million, RMB236.3 million and RMB122.0 million, respectively.

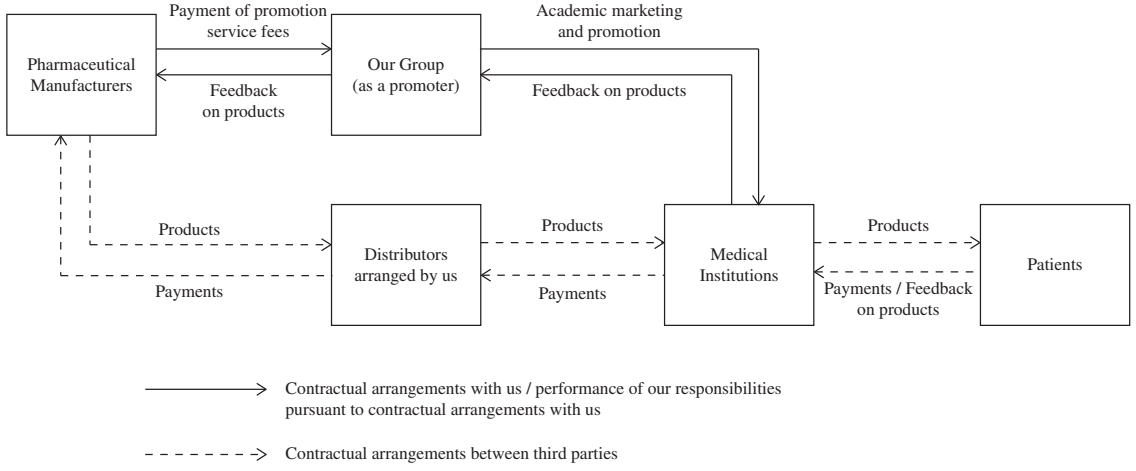
We are generally subject to annual minimum purchase, sales and/or promotion requirements specified in our distribution agreements and promotion agreements with third-party pharmaceutical companies. In the event that we fail to meet any such requirement, the relevant pharmaceutical company may be entitled to terminate the agreement with us or seek compensation from us for the shortfall. During the Track Record Period, there were two instances where we failed to meet the annual minimum requirements specified in the relevant promotion agreement or the distribution agreement (with promotion clause included) with third-party pharmaceutical companies. Please see "Risk Factors – Risks Relating to Our Business and Industry – If we fail to conduct effective promotion or maintain a qualified sales force, our sales and business prospects could be adversely affected." We have continued to maintain good and stable business relationships with such third-party pharmaceutical companies ever since.

Pursuant to our distribution agreements and promotion agreements with these pharmaceutical companies, we are generally not allowed to produce, sell, distribute or promote competing products within the designated geographic areas. The agreements with these pharmaceutical companies may be terminated (i) by either party in the case of bankruptcy, insolvency or inability to pay due debts of the other party; (ii) by the non-defaulting party in the event of an irremediable material breach, or a material breach that is not remedied within a prescribed time period; (iii) by either party in the event of a change of control of the other party which makes it unable to perform its obligations under the agreements; or (iv) by the pharmaceutical companies if we fail to achieve the minimum purchase, sales and/or promotion requirements.

The following diagram illustrates the interactions among third-party pharmaceutical companies, the distributors, pharmacies, patients and us in connection with our distribution of third-party pharmaceutical products:



The following diagram illustrates the interactions among third-party pharmaceutical companies, the distributors, medical institutions, patients and us in connection with our promotion services:



Note:

(1) In connection with our promotion services, we are not a party to the contractual arrangements between third-party pharmaceutical companies and the relevant distributors for the purchase and sales of third-party pharmaceutical products, neither are we required to hold any inventory or otherwise be exposed to any inventory risk of the relevant third-party pharmaceutical products.

According to Frost & Sullivan, our promotion service model as illustrated above is commonly-adopted by our industry peers for their provision of promotion services.

PRODUCT RETURNS AND WARRANTIES

We generally do not accept any product returns, except for defective products. For defective products, we are fully responsible for the cost of return and replacement of these products. In respect of the return policy with our distributors, please see "– Sales, Marketing and Distribution – Distributors – Distributor Management" for the key terms of our distribution agreements.

We receive feedback from our distributors and end customers. We have dedicated personnel who take complaint calls and regularly review and analyze the feedback received. We treat such feedback and complaints seriously. We have implemented detailed procedures on how to handle quality complaints and provide for the contingency for any adverse patient reaction to our products. Our sales and marketing team is responsible for following up customer complaints to ensure that they have been dealt with appropriately.

We did not provide any warranties on our products and did not have any provisions for warranty claims during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, the amounts of our product returns and exchanges were insignificant. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material complaint or product liability or other legal claims from our customers due to problems associated with the quality of our products.

We have also established product recall procedures with reference to relevant requirements, including GMP, and have prescribed recall guidelines and processes, which specify responsible persons to notify upon a recall and the handling procedure of the recalled products. During the Track Record Period and up to the Latest Practicable Date, we did not have any product recall due to quality problems.

PRICING

Centralized Tender Process

A substantial portion of the products we sell to our distributors are then sold to public medical institutions in China. Public medical institutions at all levels are required to make substantially all of their purchases of pharmaceutical products through centralized tender processes. The centralized tender process is held in different provinces and cities across China with varying terms, procedures and preferences and is usually organized at the national, provincial or city levels. How often a drug is required to resubmit a tender under the centralized tender process varies across different provinces, which is generally not less than 12 months. See "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Tender Process" for further details of the tender process in the PRC. The selection of the winning bidder is based on a number of criteria, including bid price, product quality, clinical effectiveness, as well as qualifications and reputation of the manufacturer. The successful bid price in the centralized tender process dictates the price at which distributors sell the relevant product to the relevant public medical institutions. If we are successful in winning

bids in a centralized tender process, the relevant products will be sold to the public medical institutions in the designated regions at the bid prices, which in part determine the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. During the Track Record Period, the prices of some of our major products decreased primarily due to downward pricing pressure from the centralized tender process in several provinces which required that bids for a product should not exceed the lowest winning bid nationwide or the average of the five to 10 winning bids for the same product in designated provinces. Our bidding strategy generally focuses on differentiating our products instead of competing solely based on pricing.

We have formulated detailed policies and processes in coping with competition in different provinces' centralized tender processes, with the goal of maintaining the price levels of our products and maximizing our overall sales. In particular, our internal sales and marketing team actively communicates with the local authorities in charge of the centralized tender process and promptly notifies us of any tendering proposals. Our strategic account department studies the tendering proposals, including the minimum bid requirements, if any, and pricing trends for each dosage form of our products and of our competitor products on a province-by-province basis to form a bid. Our strategic account department also closely monitors new policies affecting the pricing of pharmaceutical products in China and formulate strategies to stay competitive and profitable. For example, during the Track Record Period, each of our major products that participated in the centralized tender processes received certain preferential treatment varying across different provinces, because (i) the product was an innovative or first-to-market generic pharmaceutical; (ii) we or the product had received national-level recognition, including being named in the Top 100 Pharmaceutical Manufacturing Enterprise in China (中國醫藥工業百強企業); or (iii) the product had passed the quality and efficacy consistency evaluation.

Pricing Regulation Affecting Our Major Products

Prior to June 1, 2015, pharmaceutical products were subject to price controls mainly in the form of maximum retail prices at which pharmaceutical products may be sold to patients through medical institutions and pharmacies. In May 2015, NDRC, NHFPC, MOHRSS, MIIT, MOF, MOFCOM and CFDA jointly promulgated the "Notice Regarding the Opinions on Facilitating Pharmaceutical Pricing Reform" (《關於印發推進藥品價格改革意見的通知》), pursuant to which, with the exception of narcotic and Class I psychotropic drugs, government price controls on pharmaceutical products were lifted starting from June 1, 2015, allowing for a more market-based drug pricing system. Instead of direct price controls, the PRC government continued to regulate drug pricing mainly through a centralized tender process, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices. This notice also reiterates the policy of establishing a transparent, multi-party negotiation mechanism for the pricing of patented and exclusive drugs. See "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Price Controls" for more details.

Despite the regulatory change, certain new regulations could still exert downward pressure on drug pricing from participation in the centralized tender process and, if significant, could have a corresponding impact on the prices at which we sell our pharmaceutical products, and consequently our profit margin. In particular, the PRC government launched centralized volume-based drug procurement schemes since November 2018. Please see "– Major Recent Regulatory Reforms" and "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Tender Process – The Centralized Volume-based Drug Procurement in "4+7 Cities" and Wider Areas" for more details.

Although the centralized volume-based drug procurement schemes exert downward pressure on drug pricing, with our increasing revenue contribution from innovative drugs as well as our near-commercial products and robust pipeline of product candidates in our strategically focused therapeutic areas, we do not expect such pressure to have a material adverse impact on our business operations and financial performance in the near future.

In addition, innovative pharmaceuticals included in any national medical insurance negotiation list generally need to undergo a pricing negotiation process with the PRC government. Endostar (recombinant human endostatin injection) has entered into the NRDL through pricing negotiation, which resulted in a decrease of its retail price across the country.

During the Track Record Period, we determined our selling prices to our distributors or other direct customers after taking into account factors such as (i) the successful bid prices with hospitals and other medical institutions, if applicable; (ii) our production costs; (iii) the pricing of competing products; and (iv) an acceptable level of profit margin for both ourselves and our distributors, if applicable. Save as otherwise disclosed in this prospectus, during the Track Record Period, neither the centralized tender process nor the pricing regulations discussed above had any material adverse effect on our business or results of operations as the increases in sales volume offset the price declines, and as we had a diverse product portfolio and did not rely on any single product, and strategically structured our product portfolio to focus on innovative products which had higher profit margins.

MAJOR RECENT REGULATORY REFORMS

There have been a number of major regulatory reforms affecting the pharmaceutical industry in China in recent years, including the following:

Dynamic Adjustment of the NRDL

The NRDL, which refers to the medical insurance catalogs at the national level, comprises Part A and Part B. For details about our major products included in the NRDL, please see "– Our Product Portfolio – Our Existing Product Portfolio." Pharmaceuticals enter into in the NRDL through a regular process or pricing negotiation process with the PRC government. Endostar entered into the NRDL through the pricing negotiation process, while our other major products, if applicable, were included in the NRDL through regular process. Pharmaceuticals included in the NRDL through the pricing negotiation process are subject to adjustments only

upon expiration of their respective national medical insurance agreements, while pharmaceuticals included in the NRDL through regular process are subject to a dynamic adjustment of the NRDL, which is currently expected to occur once a year in principle and may result in the removal of such pharmaceuticals from the NRDL. In the past, the NRDL was amended from time to time in practice, without strictly following a stipulated time interval. The latest version of the NRDL came into force on January 1, 2020. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Medical Insurance Program" for more details.

Bicun was excluded from the latest version of the NRDL which came into force on January 1, 2020. Based on relevant PRC laws, regulations and rules, including "Interim Measures for the Administration of Basic Medical Insurance Medications" (《基本醫療保險用藥管理暫行辦法》) (effective since September 1, 2020) and "the Work Plan for the Adjustment of the NRDL in 2020" (《2020年國家醫保藥品目錄調整工作方案》) (effective since August 17, 2020), both of which were promulgated by the National Healthcare Security Administration (國家醫療保障局) and set out certain criteria for excluding or not including pharmaceuticals in the NRDL, our Directors do not expect any of our major products (other than Bicun) to be excluded from the NRDL in the near future.

Issuance of the Control List

In June 2019, the NHC and National Administration of Traditional Chinese Medicine (國家中醫藥管理局) jointly issued the Control List, which requires medical institutions to strictly monitor and control the clinical use of 20 key monitored pharmaceuticals included in the Control List, therefore significantly decreasing physicians' capability as well as willingness to prescribe the relevant pharmaceuticals. In spite of this, clinical use of pharmaceuticals included in the Control List is subject to explicit conditions and principles instead of being strictly prohibited. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – National Key Drug List for Monitoring and Prescription Control" for more details. According to the "Reply to No. 6109 Recommendation of the Second Session of the 13th National People's Congress" (《對十三屆全國人大二次會議第6109號建議的答覆》) issued by the NHC, these 20 key monitored pharmaceuticals were determined by the NHC after reviewing and analyzing lists of pharmaceuticals recommended for strict monitoring as well as supporting data submitted by the provincial healthcare administrative authorities and were then selected based on their total historical spending and number of appearances in the provincial lists. Among our major products, only Bicun is subject to the Control List. Our newly launched Sanbexin is not subject to the Control List.

Launch of Centralized Volume-based Drug Procurement Schemes

In November 2018, the PRC government launched a national pilot scheme for centralized volume-based drug procurement in "4+7" cities, namely, four municipalities and seven other cities. Pharmaceutical companies were invited to bid to supply their eligible pharmaceuticals to public medical institutions in "4+7" cities. Further in September 2019, the PRC government expanded the geographical coverage of the centralized volume-based drug procurement scheme

to alliance areas, namely, 25 provinces and autonomous regions (except for the "4+7" cities). Three months later, a nationwide centralized volume-based drug procurement scheme was launched. Under such nationwide centralized volume-based drug procurement schemes, originator drugs or generic drugs that met specific requirements were eligible for bidding and in principle, the procurement period for each drug ranged from one year to three years depending on the number of bid winners for such drug. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Tender Process – The Centralized Volume-based Drug Procurement in "4+7 Cities" and Wider Areas" for more details. These centralized volume-based drug procurement schemes set out an intended volume commitment for each drug included in the procurement scope, which are aimed at reducing the procurement price of drugs with significant market demand payable by public medical institutions. Substantially all of the drugs successfully procured in these schemes were listed in the NRDL, according to Frost & Sullivan.

Among our major products that are generic drugs, only Softan, ZAILIN and Jiebaili are included in the NRDL with generic drugs of the same generic names having passed the quality and efficacy consistency evaluation. Therefore, among our major products, the generic names of only Softan, ZAILIN and Jiebaili may be listed in the centralized volume-based drug procurement schemes. ZAILIN is primarily distributed to pharmacies. While Softan and Jiebaili are distributed to both medical institutions and pharmacies, our revenue from sales of these Softan and Jiebaili in the aggregate accounted for less than 10% of our total revenue during the Track Record Period.

Implementation of Dual Invoicing System

Since early 2017, the PRC government has gradually implemented the "dual invoicing system" across China to eliminate the multi-tiered distribution of pharmaceutical products to public medical institutions, thereby reducing pricing level of pharmaceuticals and relieving patients' financial burden. The "dual invoicing system" allows a maximum of two invoices between a manufacturer and a public medical institution and currently applies to the sales of all pharmaceuticals to public medical institutions in all provinces, municipalities and autonomous regions in China. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Dual Invoicing System" for more details.

Impacts of Major Recent Regulatory Reforms

Impacts on Sales of Our Major Products

- ***Endostar.*** Endostar entered into the NRDL in August 2017 through the pricing negotiation process, which was successfully renewed in 2019 (with the latest version of the NRDL coming into force on January 1, 2020). Such pricing negotiation process resulted in a decrease of the retail price of Endostar across the country, and consequently, has exerted downward pricing pressure on our sales of Endostar. The average selling price of Endostar decreased by 20.2% from RMB673.2 per pre-filled syringe in 2017 to RMB536.9 per pre-filled syringe in 2018, and decreased by

28.0% from RMB540.2 per pre-filled syringe for the six months ended June 30, 2019 to RMB388.9 per pre-filled syringe for the six months ended June 30, 2020. On the other hand, the continuing positive effects on demand for Endostar resulting from its inclusion in the NRDL since August 2017 have contributed to increases in its sales volume during the Track Record Period. The sales volume of Endostar increased from approximately 1.0 million pre-filled syringes in 2017 to approximately 2.1 million pre-filled syringes in 2019, representing a CAGR of 45.3%, and further increased by 18.0% from approximately 0.8 million pre-filled syringes for the six months ended June 30, 2019 to approximately 1.0 million pre-filled syringes for the six months ended June 30, 2020. Our revenue generated from Endostar increased from RMB669.7 million in 2017 to RMB1,136.5 million in 2019, representing a CAGR of 30.3%, and our revenue generated from Endostar decreased by 15.1% from RMB457.5 million for the six months ended June 30, 2019 to RMB388.6 million for the six months ended June 30, 2020.

- ***Jiebaili.*** Pemetrexed for injection was included in the centralized volume-based drug procurement schemes in "4+7" cities and alliance areas. However, our Jiebaili (pemetrexed disodium for injection) was ineligible for bidding because it had yet to pass the consistency evaluation. As a result, our sales volume of Jiebaili decreased by 64.0% from approximately 0.08 million vials for the six months ended June 30, 2019 to approximately 0.03 million vials for the six months ended June 30, 2020. In addition, the average selling price of Jiebaili also decreased by 27.1% from RMB843.6 per vial for the six months ended June 30, 2019 to RMB615.2 per vial for the six months ended June 30, 2020, due to downward pricing pressure brought by the centralized volume-based drug procurement schemes. Our revenue generated from Jiebaili decreased by 73.8% from RMB70.1 million for the six months ended June 30, 2019 to RMB18.4 million for the six months ended June 30, 2020.

- ***Bicun.*** Bicun was included in the Control List in June 2019, as a result of which, its sales volume decreased by 24.1% from approximately 38.4 million ampoules in 2018 to approximately 29.1 million ampoules in 2019. Further, Bicun was excluded from the latest version of the NRDL which came into force on January 1, 2020. The sales volume of Bicun consequently decreased by 69.9% from approximately 18.0 million ampoules for the six months ended June 30, 2019 to 5.4 million ampoules for the six months ended June 30, 2020. Our revenue generated from Bicun decreased by 21.8% from RMB1,198.6 million in 2018 to RMB936.9 million in 2019, and further decreased by 68.9% from RMB572.8 million for the six months ended June 30, 2019 to RMB178.0 million for the six months ended June 30, 2020. Nevertheless, edaravone is still recommended in a number of clinical practice guidelines in China and abroad for the treatment of stroke. We believe we will be able to mitigate the negative impact of Bicun's removal from the NRDL because (i) we expect our revenue contribution from innovative drugs to further increase, considering the launch of Orencia and Sanbexin in August 2020, both of which have passed the qualification review to undergo the national medical insurance pricing negotiation process for inclusion in the NRDL; (ii) we also expect to launch a

number of generic drug candidates in the next few years, including tofacitinib citrate tablets for which we have won the bid in the nationwide centralized volume-based drug procurement scheme in August 2020; (iii) we will continue to strive to win bids for our existing products under the centralized volume-based drug procurement schemes; and (iv) we have been expanding our in-house sales force to increase our coverage of medical institutions and drive our future growth.

- ***Iremod.*** Iremod has been included in the NRDL since August 2017. The continuing positive effects on demand for Iremod resulting from its inclusion in the NRDL since August 2017 have contributed to increases in its sales volume during the Track Record Period. Sales volume of Iremod increased from approximately 14.7 million tablets in 2017 to approximately 47.7 million tablets in 2019, representing a CAGR of 79.9%, and further increased by 97.8% from approximately 18.8 million tablets for the six months ended June 30, 2019 to approximately 37.1 million tablets for the six months ended June 30, 2020. Our revenue generated from Iremod increased from RMB159.0 million in 2017 to RMB520.2 million in 2019, representing a CAGR of 80.9%, and increased by 91.1% from RMB203.8 million for the six months ended June 30, 2019 to RMB389.5 million for the six months ended June 30, 2020.

- ***Softan.*** Regular oral dosage forms of rosuvastatin was included in the centralized volume-based drug procurement schemes in "4+7" cities and alliance areas. We bid for our Softan (rosuvastatin calcium tablets) in December 2018 in "4+7" cities and in September 2019 in alliance areas, respectively, but failed to win either bid. As a result, our sales volume of Softan decreased by 9.2% from approximately 85.4 million tablets for the six months ended June 30, 2019 to approximately 77.6 million tablets for the six months ended June 30, 2020. In addition, the average selling price of Softan also decreased by 20.0% from RMB2.0 per tablet for the six months ended June 30, 2019 to RMB1.6 per tablet for the six months ended June 30, 2020, due to downward pricing pressure brought by the centralized volume-based drug procurement schemes. Our revenue generated from Softan decreased by 27.1% from RMB166.9 million for the six months ended June 30, 2019 to RMB121.6 million for the six months ended June 30, 2020.

- ***ZAILIN.*** Amoxicillin capsules were included in the nationwide centralized volume-based drug procurement scheme where we bid for our ZAILIN, but we did not win. However, as ZAILIN is primarily distributed to pharmacies, thus is not subject to the downward pricing pressure brought by the centralized volume-based drug procurement schemes. Also, according to Frost & Sullivan, many patients find it more convenient to purchase anti-infective pharmaceuticals in pharmacies than spending more time and efforts to make appointments and visit physicians in hospitals. Therefore, the centralized volume-based drug procurement schemes did not have a significant impact on our sales of ZAILIN.

Impacts on Our Promotion Services

With the gradual implementation of the "dual invoicing system" across China from early 2017, we have gradually ceased to purchase products from third-party pharmaceutical companies for subsequent on-selling and distribution to medical institutions through our distributors, due to the existence of more than two invoices under such sales model. Instead, we started to provide promotion services in respect of third-party pharmaceutical products distributed to medical institutions. As a result, our promotion service income increased from RMB30.9 million in 2017 to RMB236.3 million in 2019, representing a CAGR of 176.4%.

Save as disclosed above, these major recent regulatory reforms did not cause any material adverse impact on our business operations and financial performance, nor do we expect them to have a further material adverse impact on our business operations and financial performance in the near future.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

Our customers primarily consist of (i) our distributors and pharmacy chains which directly purchase pharmaceutical products from us; and (ii) other pharmaceutical manufacturers to which we provide promotion services.

Our five largest customers during the Track Record Period comprise our distributors. The following table sets forth certain information of our five largest customers during the Track Record Period:

Customer	Major products sold by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue
				(RMB'000)	*(%)*
For the six months ended June 30, 2020					
Customer H	Pharmaceuticals	Five days after the invoice date	Wire transfer	46,072	2.4
Customer A	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	45,581	2.4
Customer B	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	42,691	2.2
Customer I	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	34,653	1.8
Customer J	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	33,537	1.7
				202,534	10.5

Customer	Major products sold by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue
				(RMB'000)	*(%)*
For the year ended December 31, 2019					
Customer A	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	129,908	2.6
Customer B	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	96,737	1.9
Customer C	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	96,098	1.9
Customer D	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	94,967	1.9
Customer E	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	81,204	1.6
				498,914	9.9
For the year ended December 31, 2018					
Customer A	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	245,134	5.4
Customer D	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	89,849	2.0
Customer F	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	82,837	1.8
Customer C	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	80,465	1.8
Customer E	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	79,759	1.8
				578,044	12.8
For the year ended December 31, 2017					
Customer A	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	209,009	5.4
Customer D	Pharmaceuticals	45 days	Wire transfer, bank acceptance bill	112,139	2.9
Customer G	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	88,725	2.3
Customer E	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	67,487	1.7
Customer C	Pharmaceuticals	60 days	Wire transfer, bank acceptance bill	65,389	1.7
				542,749	14.0

All of our five largest customers during the Track Record Period are Independent Third Parties. We have had relationships with our five largest customers for five to 22 years as of the Latest Practicable Date. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

Our Suppliers

Our suppliers primarily include (i) suppliers for the raw materials of our pharmaceutical products; and (ii) manufacturers of third-party pharmaceutical products.

Our five largest suppliers during the Track Record Period comprise raw material suppliers and manufacturers of third-party pharmaceutical products. The following table sets forth certain information of our five largest suppliers during the Track Record Period:

Supplier	Major products purchased by us	Credit terms	Settlement information	Amount of purchases	As a percentage of our total purchases
				(RMB'000)	*(%)*
For the six months ended June 30, 2020					
Supplier B	Third-party pharmaceutical products	61 days	Wire transfer, bank acceptance bill	44,851	20.4
Supplier E	APIs	30 days	Bank acceptance bill	9,725	4.4
Supplier H	APIs	100% prepayment	Wire transfer	9,620	4.4
Supplier I	Third-party pharmaceutical products	30 days	Wire transfer, bank acceptance bill	7,797	3.5
Supplier G	Third-party pharmaceutical products	100% prepayment	Wire transfer	7,684	3.5
				79,677	36.2
For the year ended December 31, 2019					
Supplier A	APIs	50 days	Wire transfer, bank acceptance bill	66,039	15.7
Supplier B	Third-party pharmaceutical products	61 days	Wire transfer, bank acceptance bill	47,528	11.3
Supplier C	Raw materials	45% prepayment, 50% before delivery and 5% after acceptance	Wire transfer	23,550	5.6
Supplier D	APIs	30 days	Bank acceptance bill	14,778	3.5
Supplier E	APIs	30 days	Bank acceptance bill	14,403	3.4
				166,298	39.4

Supplier	Major products purchased by us	Credit terms	Settlement information	Amount of purchases	As a percentage of our total purchases
				(RMB'000)	*(%)*
For the year ended December 31, 2018					
Supplier A	APIs	20 days	Wire transfer, bank acceptance bill	77,238	19.0
Supplier B	Third-party pharmaceutical products	61 days	Wire transfer, bank acceptance bill	54,480	13.4
Supplier D	APIs	30 days	Bank acceptance bill	17,733	4.4
Supplier F	Third-party pharmaceutical products	91 days	Wire transfer, bank acceptance bill	12,859	3.2
Supplier G	Third-party pharmaceutical products	40 days	Wire transfer	10,855	2.7
				173,165	42.7
For the year ended December 31, 2017					
Supplier B	Third-party pharmaceutical products	61 days	Wire transfer, bank acceptance bill	46,159	14.6
Supplier A	APIs	30 days	Wire transfer, bank acceptance bill	38,074	12.1
Supplier G	Third-party pharmaceutical products	40 days	Wire transfer	23,856	7.6
Supplier F	Third-party pharmaceutical products	91 days	Wire transfer, bank acceptance bill	16,200	5.1
Supplier C	Raw materials	45% prepayment, 50% before delivery and 5% after acceptance	Wire transfer	9,992	3.2
				134,281	42.5

Except for Jiangsu Simcare Pharmaceutical, all of our five largest suppliers during the Track Record Period are Independent Third Parties. We have had relationships with our five largest suppliers for four to 24 years as of the Latest Practicable Date. To the best of the knowledge of our Directors, except for Jiangsu Simcare Pharmaceutical, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

AWARDS AND RECOGNITIONS

The following table sets forth our recent major awards and recognitions (other than those disclosed in "– Our Existing Product Portfolio"):

Year	Entity Receiving Award	Award	Award Issuing Authority
2020	Jiangsu Simcere	2020 National Demonstration Base for Talents Introduction (2020年度國家引才引智示範基地)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
2019	Jiangsu Simcere	Jiangsu Foreign Expert Workshop (江蘇省外國專家工作室)	Jiangsu Provincial Science and Technology Department (江蘇省科學技術廳)
2019	Simcere Pharmaceutical	2019 Innovative Pharmaceutical Enterprise in China (2019年中國創新力醫藥企業)	China State Institute of Pharmaceutical Industry (中國醫藥工業研究總院)
2019	Simcere Pharmaceutical	2018 Top 100 Pharmaceutical Manufacturing Enterprise in China (2018年中國醫藥工業百強企業)	China National Pharmaceutical Industry Information Center of MIIT (中華人民共和國工業和信息化部中國醫藥工業信息中心)
2018	Jiangsu Simcere	2018 to 2021 National Intellectual Property Demonstration Enterprise (2018年至2021年國家知識產權示範企業)	National Intellectual Property Administration of the PRC (中華人民共和國知識產權局)
2017	Jiangsu Simcere	2017 Pilot Enterprise of Mass Entrepreneurship and Mass Innovation Platform in Manufacturing Industry (2017年製造業「雙創」平台試點示範企業)	MIIT

Year	Entity Receiving Award	Award	Award Issuing Authority
2017	Jiangsu Simcere	National Specialized Innovation Space (國家專業化眾創空間)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
2014 to 2018	Hainan Simcere	2014 to 2018 Innovative Pharmaceutical Enterprise in China (2014年至2018年中國創新力醫藥企業)	China State Institute of Pharmaceutical Industry (中國醫藥工業研究總院)
2013	Jiangsu Simcere	International Science and Technology Cooperation Base (國際科技合作基地)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
2012 to 2014; 2016 to 2019	Hainan Simcere	2012 to 2014 and 2016 to 2019 Top Manufacturing Enterprise for Pharmaceutical R&D Product Line in China (2012年至2014年及2016年至2019年中國醫藥研發產品線最佳工業企業)	China National Pharmaceutical Industry Information Center of MIIT (中華人民共和國工業和信息化部中國醫藥工業信息中心)
2010 to 2018	Hainan Simcere	2009 to 2017 Top 100 Pharmaceutical Manufacturing Enterprise in China (2009年至2017年中國醫藥工業百強企業)	China National Pharmaceutical Industry Information Center of MIIT (中華人民共和國工業和信息化部中國醫藥工業信息中心)

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had (i) 226 registered patents and 77 pending patent applications in the PRC; (ii) 21 patents and four pending patent applications overseas; and (iii) six registered domain names in the PRC. As of the Latest Practicable Date, we had 73 registered trademarks in the PRC and seven registered trademarks overseas, which we consider to be or may be material to our business. Details of our intellectual property rights are set forth under the section headed "Appendix V – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights of Our Group" in this prospectus.

We rely on intellectual property rights to protect our technologies, inventions and improvements that we believe are important to maintain the market share of our products. A substantial portion of our products have intellectual property rights relating principally to their compound, compositions, preparation methods and/or production processes. See "– Our Product Portfolio – Our Existing Product Portfolio" for further details of the intellectual property rights for our major products.

In order to protect our intellectual property rights, we generally require our employees to enter into confidentiality agreements. These agreements typically provide that all relevant intellectual properties developed by our employees during the course of their employment with us become our intellectual properties and are treated as trade secrets. Our employees are contractually required to refrain from disclosing confidential information to third parties unless authorized in writing by our Board. We also follow procedures, such as patent searches, to ensure that we do not infringe on the intellectual property rights of others and are not engaged in the sale of counterfeit pharmaceutical products.

During the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in this prospectus, we had not been sued on the basis of, and had not undergone arbitration in respect of, nor had we received any notification from third parties claiming infringement of any intellectual property or sales of counterfeit pharmaceutical products that have had a material adverse effect on our business. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any adverse finding in an investigation or audit by any governmental authorities in respect of the infringement of any intellectual property of third parties or sales of counterfeit pharmaceutical products that had a material adverse effect on our business. However, despite our internal control procedures, we are still subject to risks relating to intellectual property rights. See "Risk Factors – Risks Relating to Our Business and Industry – Failure to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more directly, which may have a material adverse impact on our business and results of operations" and "Risk Factors – Risks Relating to Our Business and Industry – We may become subject to intellectual property infringement claims, which could divert our management's attention, expose us to substantial liability, harm our reputation, limit our research and development or other business activities and/or impair our ability to commercialize our product candidates."

COMPETITION

The pharmaceutical market in China is highly competitive and is characterized by a number of established pharmaceutical companies, as well as some emerging biotechnology companies. We face competition from other pharmaceutical companies and emerging biotechnology companies engaged in the research, development, production, marketing or sales of pharmaceutical products. Our key competitors are large national and regional manufacturers of pharmaceutical products, including large State-owned pharmaceutical companies. We also compete with multinational pharmaceutical companies.

Our products primarily compete with products that are indicated for similar conditions as our products on the basis of efficacy, safety, price, brand, general market acceptance and recognition. The identities of our key competitors vary by product and, in certain cases, our competitors may have greater financial and research and development resources than us, may elect to focus these resources on developing, importing or in-licensing and marketing products in China that are substitutes for our products and may have broader sales and marketing infrastructure with which to do so. Please see "Industry Overview" for more details about the major competitors of our products.

We believe our continued success will depend on our following capabilities: the capability to develop innovative products and advanced technologies; the capability to apply technologies to all production lines; the capability to develop an extensive product portfolio; the capability to maintain a highly efficient operational model; the capability to attract, retain and cultivate talent; the capability to maintain high quality standards; the capability to obtain and maintain regulatory approvals; and the capability to effectively market and promote products.

EMPLOYEES

As of June 30, 2020, we had 5,255 full-time employees, including 5,199 in China, one in Hong Kong, 52 in the United States and three in Great Britain. The following table provides a breakdown of our employees by department function as of that date:

Department Function	Number of employees	% of total employees
Research and development	756	14.4
Manufacturing	1,354	25.8
Sales and marketing	2,868	54.6
Others (including operational and management)	277	5.3
Total	5,255	100.0

We believe we have maintained good relationships with our employees. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. As of the Latest Practicable Date, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining qualified employees. We maintain high standards on selecting and recruiting talent worldwide and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and performance-based bonus. To maintain and enhance the quality, knowledge and skill levels of our workforce as

well as their familiarity with industry quality standards and work safety standards, through Simcere Institute, our in-house training department, we provide our employees with periodic training, including orientation programs for new employees, technical training, professional and management training and health and safety training. We also provide our sales and marketing team with extensive training. See "– Sales, Marketing and Distribution – In-house Sales and Marketing Team" for more details.

We set performance targets for our employees primarily based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. We also align our interest with those of our management team and selected employees by offering them participation in the Pre-IPO Share Incentive Scheme. Please see "Appendix V – Statutory and General Information – D. Pre-IPO Share Incentive Scheme."

We contribute to social security insurance and housing provident funds for our employees in accordance with applicable PRC laws, rules and regulations.

LAND AND PROPERTIES

As of the Latest Practicable Date, we owned 37 properties in the PRC ranging from a GFA of approximately 13.52 sq.m. to approximately 71,746.04 sq.m., with a total GFA of approximately 140,517.30 sq.m. Our owned properties are located at Haikou, Nanjing, Beijing, Shanghai, Wuhu and Yantai and are primarily used as production facilities, ancillary facilities, offices, laboratories, employee dormitories, canteens and car parking spaces. We hold land use rights for 12 parcels of land for industrial and residential use ranging from a site area of approximately 13.52 sq.m. to approximately 259,371.08 sq.m., with a total site area of approximately 726,873.69 sq.m. on which our owned properties are constructed. As of Latest Practicable Date, seven of our owned properties with a total GFA of approximately 28,593.74 sq.m. and one parcel of land that we held land use rights with a total site area of approximately 152,187.58 sq.m. were pledged to CDB Development Fund to guarantee our performance of investment return obligations under the Investment Agreement. We are currently in the process of completing the relevant pledge registration procedures. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Shareholding Changes in Hainan Simcere – Investment by CDB Development Fund" for more details. In addition, one of our owned properties with a GFA of approximately 71,746.04 sq.m. and one parcel of land that we held land use rights with a site area of approximately 35,549.00 sq.m. were pledged to secure our bank borrowings. Save as disclosed above, none of our owned properties and land that we held land use rights for were subject to any encumbrance, mortgage, lien or pledge as of the Latest Practicable Date.

We are in the process of obtaining the building ownership certificate for one property with a GFA of 951.35 sq.m., representing approximately 0.7% of the total GFA of the properties that we owned as of the Latest Practicable Date. Based on written confirmation we received from the Wuhu Sanshan Economic Development Management Committee (蕪湖三山經濟開發區管理委員會), which is the competent authority as advised by our PRC Legal Advisors, our PRC

Legal Advisors have advised us that we currently have the ownership of such property and we will not be subject to any material legal impediment in obtaining the building ownership certificate for such property. We expect to obtain the building ownership certificate for such property in the fourth quarter of 2020. Except for the abovementioned property, we have obtained the building ownership certificates and the related land use right certificates for all of our 37 owned properties as of the Latest Practicable Date.

As of the Latest Practicable Date, we leased 41 properties in Nanjing, Suzhou, Zigong, Beijing, Haikou, Hong Kong, the United States and the United Kingdom with a total GFA of approximately 39,930.79 sq.m. (excluding the GFA of six properties, which were dorm rooms leased for our employees). Our leased properties are primarily used as offices, employee dormitories, warehouses and laboratories. As of the Latest Practicable Date, we leased four parcels of land in Zigong with a total site area of approximately 2,680.00 sq.m., which were primarily used for bentonite mining.

As of June 30, 2020, 18,181.62 sq.m. of our owned properties were rented out to certain Independent Third Parties. The carrying amounts of our interest in such properties accounted for less than 1% of our total assets as of June 30, 2020. According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land and buildings, because as of June 30, 2020, we had no single property interest with a carrying amount of 15% or more of our total assets.

As of the Latest Practicable Date, 36 of our lease agreements with an aggregate GFA of approximately 37,129.59 sq.m. and the lease agreements of six properties, which were dorm rooms leased for our employees, had not been registered with the relevant PRC authorities, primarily due to difficulties in procuring our lessors' cooperation. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB420,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our financial condition or results of operations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

INSURANCE

We maintain property insurance covering physical damage to, or loss of, our facilities, equipment, office furniture and inventory; employer's liability insurance covering death or work injury of employees; and clinical trial insurance covering us against liability in the event of injury to any trial subject caused by serious adverse events in our clinical trials. We are not required under PRC laws and regulations to, and we generally do not, purchase any product liability insurance or key person insurance. We contribute to social security insurance for our employees in accordance with applicable PRC laws, rules and regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

Our Directors believe that our insurance coverage is adequate and in line with industry norm. However, the risks related to our business and operations may not be fully covered by insurance. Please see "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage is limited; if we experience uninsured losses, it could adversely affect our financial condition and results of operations."

HEALTH, OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

Health and Occupational Safety

We are subject to various PRC laws and regulations in respect of health and occupational safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and surrounding communities. We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees, including those required under the GMP certification. For example, we require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. In addition, we conduct on-site safety assessment and hazard identification, which help us enhance our overall health and safety management effectiveness. We have a system in place for recording and handling accidents. We have designated personnel responsible for handling work accidents and injuries as well as maintaining health and work safety compliance record. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents in the course of our operations, nor were we subject to any material claims for personal or property damages in connection with health and occupational safety.

Environmental Protection

The main pollutants generated during our production process includes waste water, waste gas and solid wastes, which include general solid wastes and hazardous solid wastes. We have implemented pollution control measures in order to comply with applicable laws and regulations. We have a sewage treatment system in our production facilities. After processing, our waste water is safely discharged into the downstream sewage treatment facilities or municipal sewer network. We have also installed dust removers in our production facilities (excluding our Wuhu facility) to purify the collected waste gas before emission. In addition, we have engaged qualified sanitation companies or hazardous waste treatment companies for treatment of solid wastes generated during the production process. We believe that we have adopted effective anti-pollution measures and that we are in compliance in all material respects with applicable environmental laws and regulations during the Track Record Period. For each of the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2020, our costs for compliance with the applicable environmental rules and regulations as a percentage of total revenue for the same periods remained less than 0.5%. We do not expect there to be substantial changes to our costs for compliance with the applicable environmental rules and regulations in the near future.

LICENSES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisors, we had obtained all material licenses, permits and approvals required for our operations in the PRC and such licenses, permits and approvals were valid and remain in effect as of the Latest Practicable Date. The following table sets forth the major licenses, permits and certificates for our business operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

License/Permit/ Certificate	Holder	Purpose	Issuing Authority	Validity Period
Drug Production License (藥品生產許可證) (瓊20150035)	Hainan Simcere	Production of pharmaceutical products at our Yaogu facility and Chengmai facility	Hainan Provincial Drug Administration (海南省藥品監督管理局, formerly known as Hainan Provincial Food and Drug Administration (海南省食品藥品監督管理局)) ("**Hainan DA**")	December 30, 2015 – December 29, 2020
Drug Production License (藥品生產許可證) (蘇20160001)	Simcere Pharmaceutical	Production of pharmaceutical products at our Nanjing facility	Jiangsu Provincial Drug Administration (江蘇省藥品監督管理局, formerly known as Jiangsu Provincial Food and Drug Administration (江蘇省食品藥品監督管理局)) ("**Jiangsu DA**")	September 9, 2020 – September 6, 2025

License/Permit/ Certificate	Holder	Purpose	Issuing Authority	Validity Period
Drug Production License (藥品生產許可證) (魯20200450)	Shandong Simcere	Production of bioengineering products at our Yantai facility	Shandong Provincial Medical Products Administration (山東省藥品監督管理局, formerly known as Shandong Provincial Food and Medical Products Administration (山東省食品藥品監督管理局)) ("**Shandong MPA**")	July 31, 2020 – July 30, 2025
Drug Production License (藥品生產許可證) (皖20160201)	Wuhu Simcere	Production of antineoplastic implants at our Wuhu facility	Anhui Medical Products Administration (安徽省藥品監督管理局, formerly known as Anhui Provincial Food and Medical Products Administration (安徽省食品藥品監督管理局)) ("**Anhui MPA**")	January 1, 2016 – December 31, 2020
Pharmaceutical Operation Permit (藥品經營許可證) (蘇AA0250009)	Jiangsu Simcere	Wholesale of pharmaceutical products	Jiangsu DA	November 12, 2019 – November 11, 2024
Pharmaceutical Operation Permit (藥品經營許可證) (滬AA0210054)	Shanghai Simcere	Wholesale of pharmaceutical products	Shanghai Drug Administration (上海市藥品監督管理局, formerly known as Shanghai Food and Drug Administration (上海市食品藥品監督管理局)) ("**Shanghai DA**")	March 27, 2019 – January 24, 2022
GMP (HI20160012)	Hainan Simcere	Production of cephalosporin oral suspensions, granules and hard capsules, and production of penicillin oral suspensions, tablets, granules and hard capsules, at our Chengmai facility	Hainan DA	August 8, 2016 – August 7, 2021

License/Permit/ Certificate	Holder	Purpose	Issuing Authority	Validity Period
GMP (HI20160016)	Hainan Simcere	Production of tablets, hard capsules, granules, powders and gel at our Yaogu facility	Hainan DA	September 26, 2016 – September 25, 2021
GMP (HI20190019)	Hainan Simcere	Production of API (diosmectite) at our Yaogu facility	Hainan DA	April 17, 2019 – April 16, 2024
Certificate of GMP Compliance of a Manufacturer (6015/06.08. 02.00/2016)	Hainan Simcere	Production of diosmectite powder (for EU exportation) at our Yaogu facility	Finnish Medicines Agency	May 10, 2019 – May 09, 2022
Qualified Person's Declaration on GMP Compliance (EMA/334808/ 2014)	Hainan Simcere	Production of API (diosmectite) used for the production of diosmectite powder (for EU exportation) at our Yaogu facility	European Medicines Agency	August 29, 2019 – August 28, 2022
GMP (JS20180783)	Simcere Pharmaceutical	Production of oral liquid and extraction of Chinese medicine at our Nanjing facility	Jiangsu DA	March 5, 2018 – March 4, 2023
GMP (JS20180815)	Simcere Pharmaceutical	Production of small volume injectable solutions at our Nanjing facility	Jiangsu DA	April 17, 2018 – April 16, 2023
GMP (JS20180909)	Simcere Pharmaceutical	Production of hard capsules, powder aerosols and APIs (nedaplatin and pemetrexed disodium) at our Nanjing facility	Jiangsu DA	October 15, 2018 – October 14, 2023
GMP (JS20180927)	Simcere Pharmaceutical	Production of API (zanamivir) at our Nanjing facility	Jiangsu DA	November 23, 2018 – November 22, 2023

License/Permit/ Certificate	Holder	Purpose	Issuing Authority	Validity Period
GMP (JS20191044)	Simcere Pharmaceutical	Production of antineoplastic lyophilized powder for injection, aseptic API (biapenem), powder for injection and API (palonosetron hydrochloride) at our Nanjing facility	Jiangsu DA	May 5, 2019 – May 4, 2024
GMP (JS20191135)	Simcere Pharmaceutical	Production of tablets and API (oxaliplatin) at our Nanjing facility	Jiangsu DA	August 30, 2019 – August 29, 2024
GMP (JS20191158)	Simcere Pharmaceutical	Production of APIs (bortezomib and pramipexole dihydrochloride) at our Nanjing facility	Jiangsu DA	October 12, 2019 – October 11, 2024
GMP (SD201800740)	Shandong Simcere	Production of recombinant human endostatin injection at our Yantai facility	Shandong MPA	July 26, 2018 – July 25, 2023
GMP (AH20180449)	Wuhu Simcere	Production of antineoplastic implants at our Wuhu facility	Anhui MPA	April 8, 2018 – April 7, 2023
Certificate of GSP for Pharmaceutical Products (藥品GSP證書) (A-JS20-001)	Jiangsu Simcere	Wholesale of pharmaceutical products	Jiangsu DA	January 7, 2020 – January 7, 2025
Certificate of GSP for Pharmaceutical Products (藥品GSP證書) (A-SH17-002)	Shanghai Simcere	Wholesale of pharmaceutical products	Shanghai DA	April 21, 2019 – January 24, 2022
Mining Permit (採礦許可證) (C51030020101 27120093239)	Zigong Yirong	Exploration of bentonite	Bureau of Land and Resources of Zigong (自貢市國土資源局)	August 3, 2019 – October 3, 2022

License/Permit/ Certificate	Holder	Purpose	Issuing Authority	Validity Period
Production Safety License (安全生產許可證) ((川C)FM安許證字[2018]003)	Zigong Yirong	Exploration of bentonite	Administration of Work Safety of Zigong (自貢市安全生產監督管理局)	June 23, 2018 – June 22, 2021

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits and certificates prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses, permits and certificates for our business operations (including production approvals for our pharmaceutical products) during the Track Record Period and up to the Latest Practicable Date. Our PRC Legal Advisors are of the view that, there is no material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in future as long as we are in compliance with applicable laws, regulations and rules. See "Risk Factors – Risks Relating to Our Business and Industry – If we or our business partners fail to maintain the necessary licenses for the development, production, promotion, sales and distribution of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected."

LEGAL PROCEEDINGS AND COMPLIANCE

Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in aggregate, have a material adverse operational or financial impact on our Group as a whole.

Legal Proceedings

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of business. As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

Trademark Litigation

We are currently involved in a trademark litigation brought by CPU Pharma in 2018, requesting us to transfer 50% of ownership to the Yingtaiqing trademark with registration number 800117 (scope of use being membrane-moderated type transdermal drug delivery patch (膜控釋型經皮給藥貼片)) to CPU Pharma in accordance with an agreement entered into in 1998 (the "**1998 Agreement**"). The 1998 Agreement was part of the arrangement entered into between, among others, CPU Pharma and us, pursuant to which we were granted the

distributorship of diclofenac sodium sustained-release capsules manufactured by CPU Pharma in China on an exclusive basis. In particular, pursuant to the 1998 Agreement, we were required to transfer 50% of ownership to the Yingtaiqing trademark with registration number 800117 to CPU Pharma, and upon completion of which, CPU Pharma was entitled to use such trademark only with our consent, subject to its payment of license fees. However, our PRC Legal Advisors have advised us that the registration of joint trademark ownership with the Trademark Office of National Intellectual Property Administration of the PRC pursuant to such contractual arrangement was not enforceable until the "Trademark Law of the PRC" (《中華人民共和國商標法》) was amended in 2001. In March 2000, we applied for Yingtaiqing trademark with registration number 1375206 (scope of use being human medicine (人用藥)) and such Yingtaiqing trademark has been used on diclofenac sodium sustained-release capsules. During the first trial, the court found that there was a series of agreements that were entered into by CPU Pharma and us since 2000, which superseded all previous agreements among the parties and provided that the diclofenac sodium sustained-release capsules manufactured by CPU Pharma would be co-branded with trademarks respectively owned by CPU Pharma and us. The court of the first trial dismissed all CPU Pharma's claims against us on the grounds that CPU Pharma is not entitled to claim specific performance based on the 1998 Agreement given the substance of the 1998 Agreement, including the joint trademark ownership, has been materially changed through the agreements entered into between the parties after the 1998 Agreement. CPU Pharma subsequently appealed, and the court has yet to reach a decision in respect of the appeal. Our revenue attributable to CPU Pharma (including our revenue generated from sales of Yingtaiqing-branded capsules manufactured by CPU Pharma and our promotion service income in connection with Yingtaiqing-branded capsules manufactured by CPU Pharma) accounted for 5.6%, 5.8%, 6.3% and 8.3% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and June 30, 2020. We do not consider such litigation a material legal proceeding and we believe the litigation will not have any material adverse impact on our business relationship with CPU Pharma on the basis of the following:

- Our existing agreement with CPU Pharma for the distribution and promotion of Yingtaiqing-branded capsules has a term of 10 years, expiring in 2026, and such agreement does not provide for early termination linked to the outcome of the litigation;

- We have been selling and promoting Yingtaiqing-branded capsules since 1996 and have accumulated substantial experience and extensive resources in connection with distribution and promotion of Yingtaiqing-branded capsules; and

- The claim was to transfer 50% of ownership to the Yingtaiqing trademark with registration number 800117 to CPU Pharma. Therefore, even if CPU Pharma succeeds in the appeal, we will co-own such trademark with CPU Pharma.

After taking into consideration of the foregoing, in the event that CPU Pharma succeeds in the appeal, we do not expect the litigation to have any material adverse impact on our business operations and financial performance as it will not affect our distribution or promotion of Yingtaiqing-branded capsules manufactured by CPU Pharma, nor our manufacturing and sales of Yingtaiqing-branded gel.

Anti-monopoly Investigation

We are currently involved in an investigation initiated by the SAMR in respect of our alleged violation of the PRC Anti-monopoly Law, which we believe, based on reasonable grounds, arose from the alleged claim of our abuse of a dominant market position on the basis that (i) we entered into an exclusive supply arrangement with an overseas supplier with respect to batroxobin concentrated liquid, the key raw material for production of batroxobin injection, one of our generic pharmaceutical candidates under development; and (ii) we refused to sell such batroxobin concentrated liquid to a third party. We believe (i) there remain substantial uncertainties as to whether the market of batroxobin concentrated liquid should be identified as an independent market under the PRC Anti-monopoly Law, and whether we hold a dominant position in such market; and (ii) we did not abuse a dominant market position and our refusal to transact with such third party was based on commercially reasonable justifications.

Our PRC Legal Advisors, advising us on the anti-monopoly investigation, have advised us that potential outcomes of such anti-monopoly investigation in respect of alleged abuse of dominant market position include (i) termination of the investigation with no conclusive decision; (ii) termination of the investigation with rectification measures acceptable to the SAMR and no penalty imposed; and (iii) in the worst case scenario, imposing a penalty ranging from 1% to 10% of our total revenue for the preceding calendar year and confiscation of illegal gains, if any. Having considered the nature, severity and duration of our relevant conducts in question, our PRC Legal Advisors, advising us on the anti-monopoly investigation, are of the view that the possibility of the SAMR imposing any penalty on us is low provided that we continue to actively cooperate with the SAMR and submit sufficient evidence in the process of the investigation, and that the possibility of the SAMR confiscating our illegal gains is low as no batroxobin concentrated liquid or batroxobin injection has been sold by us. Considering the foregoing, along with the fact that batroxobin injection is only one of our generic pharmaceutical candidates under development, we believe the anti-monopoly investigation will not affect our normal operations and will not have a material adverse effect on our business, financial condition and results of operations. Thus, we have not made any provision in our consolidated financial statements in respect of the anti-monopoly investigation.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls to safeguard our Shareholders' investment and our assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

In particular, we have established a code of conduct and ethics governing commercial transactions (the "**Code of Conduct**") since 2007. Specifically, the Code of Conduct prescribes that providing or accepting appropriate gifts and hospitalities are customary business practices which are considered business etiquette during the establishment of relationships with our business partners, to the extent that such gifts and hospitalities will not affect or appear to affect the fairness of commercial decisions. Employees are only allowed to accept appropriate gifts and are required to turn in any gift received which is worth more than RMB200 to our compliance department. All political contributions, whether directly or through professional associations, are strictly prohibited unless otherwise approved by our chief executive officer or chief financial officer. In addition, the Code of Conduct strictly prohibits (i) provision or acceptance of kickbacks, bribes or other improper gains or benefits by our employees; (ii) knowingly dissemination of false information in respect of our competitors, customers or suppliers; (iii) willful misstatements of information regarding the quality and nature of our products; or (iv) advancing our business interests through unfair competition, either directly or indirectly. Our employees are required to sign a declaration at the end of the Code of Conduct confirming that they have received, read and understood the Code of Conduct and undertake their compliance with the Code of Conduct requirements. Employees who violate the Code of Conduct are subject to penalties, including termination of employment.

To further enhance our anti-bribery and anti-corruption practice, we newly adopted a set of internal policies against bribery and corrupt activities (the "**Internal Anti-bribery Policies**") in January 2019, which strictly prohibit all employees and other personnel acting on behalf of us from making, proposing or promising improper payments, directly or indirectly, in any form of cash, physical assets, loans, gifts, luxury trips, entertainments, donations, other valuables or benefits to anyone, including government officers and healthcare professionals, for the purposes of acquiring or securing any business or improper advantage, regardless of whether we benefit from such improper payments. Specifically, all employees are prohibited from (i) the offer of cash or cash equivalents to government officers and healthcare professionals; (ii) the offer of personal gifts (except for small amounts of gifts in accordance with customary business practice) to government officers and healthcare professionals; (iii) sponsoring conferences with the attendance of government officers and healthcare professionals which are not held for the purpose of introducing our products or providing scientific or educational information; (iv) reimbursement of travel and accommodation expenses for accompanying guests and relatives of government officers and healthcare professionals; (v) compensating government officers and healthcare professionals only for their attendance of conferences; and (vi) the offer of entertainment or leisure activities to government officers and healthcare professionals (other than conference-related accommodation). In connection with sponsorship of conferences and academic marketing activities, the Internal Anti-bribery Policies prohibit extravagant spending on food, catering and hospitality, unless a prior written approval of our chief compliance officer is obtained. The Internal Anti-bribery Policies require the use of accurate, objective and complete information with supporting sources in promotion activities related to our products. Presentation materials related to promotion activities are required to be reviewed internally. All product samples provided to healthcare professionals are required to be clearly labelled to prevent potential misuse. All charitable donations are required to be made in accordance with the Internal

Anti-bribery Policies. The Internal Anti-bribery Policies strictly prohibit facilitation payments, regardless of its legality in the relevant jurisdictions. Employees who violate the Internal Anti-bribery Policies are subject to penalties, including termination of employment. We have also specified anti-bribery requirements in our contractual agreements with our business partners, including distributors and third-party promoters. In addition, we require our employees as well as our business partners to sign anti-bribery undertakings on an annual basis. The Internal Anti-bribery Policies also include whistleblower provisions that require all employees to report any suspected non-compliance, which will be submitted to our chief compliance officer or the chairman of our Audit Committee.

We have engaged an independent internal control consultant to review and provide remedial advice on our internal control and risk management, including anti-bribery and anti-corruption compliance related controls. Based on the findings identified by the internal control consultant, we have made improvements and the internal control consultant did not raise any further recommendation in its follow-up review in May 2020. Therefore, our Directors are of the view that our current internal control measures in relation to anti-bribery and anti-corruption are sufficient and effective in all material respects.

Having considered the internal control measures and policies as adopted by the Company above, the Joint Sponsors are of the view that the Company's internal control measures are adequate having regards to the obligations of the Company and its directors under the Listing Rules and other applicable laws and regulations.

We have formed the Audit Committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors. Please see "Directors and Senior Management" for details about the members of our audit committee and the Board. We plan to continue strengthening our risk management policies, including anti-bribery compliances, by ensuring regular management review of relevant corporate governance measures and the implementation by each subsidiary and each corresponding department.

We have entered into certain agreements with our connected persons, the details of which are set out below. Upon Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon Listing and the nature of their relationship with our Group:

Connected person	Connected relationship
Mr. Ren	an executive Director, the chief executive officer and a substantial Shareholder of our Company
Simcare Jiangsu	a company held as to (i) 78.4% by Nanjing Huasheng (a company ultimately wholly owned by Mr. Ren), and (ii) 19.6% by Nanjing Xianyi Venture Capital Center (Limited Partnership) (南京先益創業投資中心(有限合夥)) (the general partner and the limited partner of which are Nanjing Huasheng and Mr. Ren Weidong, respectively), and hence an associate of Mr. Ren
Jiangsu Simcere Diagnostics	a company held as to 64.29% and 8.93% by Nanjing Qiyi Technology Co., Ltd. (南京麒翼科技有限公司) and Nanjing Xianqi Enterprise Management Consulting Partnership (Limited Partnership) (南京先麒企業管理諮詢合夥企業(有限合夥)), respectively, both of which are in turn wholly owned by Mr. Ren Yong (a substantial Shareholder of our Company) and his spouse, and hence an associate of Mr. Ren Yong
Shanghai Youxu	a subsidiary of Jiangsu Simcere Diagnostics
Nanjing BioSciKin Technology	a subsidiary of SGG which is in turn wholly owned by Mr. Ren through EGG, and hence an associate of Mr. Ren
Nanjing Medway	a subsidiary of Nanjing BioSciKin Technology
Yoai Technology	a company ultimately wholly owned by Mr. Ren Yong and his spouse, and hence an associate of Mr. Ren Yong
BioSciKin Innovative Pharmaceutical	a subsidiary of Nanjing BioSciKin Technology
Nanjing Huasheng	a company ultimately wholly owned by Mr. Ren, and hence an associate of Mr. Ren

Connected person	Connected relationship
Ms. Wang Xi (王熙)	the spouse of Mr. Ren, and hence an associate of Mr. Ren
Beijing Sanroad	a subsidiary of Nanjing BioSciKin Technology

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

	Nature of transactions	Applicable Listing Rules	Waiver sought
	Fully-exempt Continuing Connected Transactions		
1.	Simcare Trademark Licensing Agreement	14A.76(1)(a)	N/A
2.	Simcere Diagnostics Trademark Licensing Agreement	14A.76(1)(a)	N/A
3.	Shanghai Youxu Property Lease Agreement	14A.76(1)(a)	N/A
4.	Simcare Procurement Framework Agreement	14A.76(1)(a)	N/A
5.	Simcere Diagnostics Sample Services Agreement	14A.76(1)(a)	N/A
6.	Medway Media Cooperation Framework Agreement	14A.76(1)(a)	N/A
7.	Yoai Technology Procurement Agreement	14A.76(1)(a)	N/A
8.	Utility Charge Agreement	14A.98	N/A
9.	Guarantees provided by Mr. Ren and his close associates	14A.90	N/A
	Partially-exempt Continuing Connected Transactions		
10.	Property Lease and Comprehensive Services Framework Agreement	14A.76(2)(a)	Announcement requirement
11.	Simcare Sales and Distribution Framework Agreement	14A.76(2)(a)	Announcement requirement
12.	Sanroad Promotion Services Framework Agreement	14A.76(2)(a)	Announcement requirement
	Non-exempt Continuing Connected Transactions		
13.	Contractual Arrangements	14A.35-36 14A.49 14A.52-59 14A.76 14A.105	Announcement, circular, independent shareholders' approval, annual caps and terms of agreements not exceeding three years

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(A) De Minimis Transactions

The following transactions have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better, and our Directors expect that each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of each of the following transactions is expected to be, on an annual basis, less than 0.1%. Therefore, these following transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

If any of the annual transaction amounts or applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of each of the following transactions is expected to exceed the applicable de minimis thresholds stipulated in Rule 14A.76(1) of the Listing Rules, we will comply with all applicable requirements under Chapter 14A of the Listing Rules.

1. Simcare Trademark Licensing Agreement

On September 28, 2018, Hainan Simcere (a subsidiary of our Company) and Simcare Jiangsu entered into a trademark licensing agreement (the "**Simcare Trademark Licensing Agreement**"), pursuant to which Simcare Jiangsu agreed to grant a license to Hainan Simcere on a royalty-free basis to use Class 5 of the trademark "再康" owned by Simcare Jiangsu (the "**Simcare Trademark**") solely on Simcare Compound Zinc Gluconate and Ibuprofen Granules (再康複方鋅布顆粒) ("**Simcare Compound Granules**"). We use the Simcare Trademark during the process of manufacturing and marketing Simcare Compound Granules, and then grant a national exclusive distributorship to Jiangsu Simcare Pharmaceutical, a subsidiary of Simcare Jiangsu, for sales of such product. See "– Partially-exempt Continuing Connected Transactions – Simcare Sales and Distribution Framework Agreement" for details of such product distribution transaction.

The term of the Simcare Trademark Licensing Agreement commenced from October 8, 2018 and will expire on January 6, 2027. As the Simcare Trademark was licensed to us on a royalty-free basis, the royalty fee paid by us to Simcare Jiangsu under the Simcare Trademark Licensing Agreement during the Track Record Period was nil.

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. We have been using the Simcare Trademark for the manufacturing and marketing of Simcare Compound Granules during the Track Record Period, and entering into the Simcare Trademark Licensing Agreement for a period of more than three years enables us to promote stability and continuity in our operations with respect to such product. Based on the above, our Directors are of the view that entering into the Simcare Trademark Licensing Agreement for a period of more than

three years will avoid any unnecessary business interruption and is in line with normal business practice which is beneficial to our Company and our Shareholders as a whole. The Joint Sponsors agree with our Directors' view and concur that the term of the Simcare Trademark Licensing Agreement for more than three years is in line with normal business practice.

2. Simcere Diagnostics Trademark Licensing Agreement

On March 19, 2019, Jiangsu Simcere (a subsidiary of our Company) and Jiangsu Simcere Diagnostics entered into a trademark licensing agreement (the "**Simcere Diagnostics Trademark Licensing Agreement**"), pursuant to which Jiangsu Simcere agreed to grant a license to Jiangsu Simcere Diagnostics to use certain trademarks owned by Jiangsu Simcere, including "先聲診斷" and "Simcere Diagnostics" (the "**Simcere Diagnostics Trademarks**"). The royalty fees payable by Jiangsu Simcere Diagnostics shall include relevant registration fees, licensing filings fees and other trademark maintenance fees incurred by Jiangsu Simcere on a cost basis.

The term of the Simcere Diagnostics Trademark Licensing Agreement commenced from March 19, 2019 and will expire on January 20, 2028. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the royalty fee paid by Jiangsu Simcere Diagnostics to us under the Simcere Diagnostics Trademark Licensing Agreement was nil, nil, RMB1,500 and nil, respectively.

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. Jiangsu Simcere Diagnostics has been using the Simcere Diagnostics Trademarks for its daily operation during the Track Record Period. Pursuant to the Simcere Diagnostics Trademark Licensing Agreement, Jiangsu Simcere shall have sole discretion to terminate the agreement and the licensing arrangement therein at any time without any liability. Our Directors are of the view that, considering the termination clause and the nature of the Simcere Diagnostics Trademark Licensing Agreement, entering into the Simcere Diagnostics Trademark Licensing Agreement for a period of more than three years is in line with normal business practice. The Joint Sponsors agree with our Directors' view and concur that the term of the Simcere Diagnostics Trademark Licensing Agreement for more than three years is in line with normal business practice.

3. Shanghai Youxu Property Lease Agreement

On January 1, 2020, Simcere Shanghai Pharmaceutical (a subsidiary of our Company) and Shanghai Youxu entered into a property lease agreement (the "**Shanghai Youxu Property Lease Agreement**"), pursuant to which Simcere Shanghai Pharmaceutical agreed to lease a property owned by it located at No. 1, Lane 118, Furonghua Road, Pudong New District, Shanghai, the PRC with a gross floor area of approximately 38 sq.m. to Shanghai Youxu for office use. Shanghai Youxu shall pay Simcere Shanghai Pharmaceutical a rent of RMB2.5/sq.m./day.

The terms of the Shanghai Youxu Property Lease Agreement were agreed upon on normal commercial terms after arm's length negotiations between the parties thereto. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has confirmed that the rents payable by Shanghai Youxu to us under the Shanghai Youxu Property Lease Agreement are fair and reasonable and reflect the market rates for similar premises in the vicinity of the relevant property.

The Shanghai Youxu Property Lease Agreement is for a term of two years commencing from January 1, 2020. As such property lease was effective from January 1, 2020, the amount of rent paid by Shanghai Youxu to us under the Shanghai Youxu Property Lease Agreement for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was nil, nil, nil and approximately RMB8,143, respectively.

4. Simcare Procurement Framework Agreement

Simcare Group, as a pharmacy operation group, holds a number of lower level sub-distributorships for a wide range of products under various brands. During the Track Record Period, we purchased various pharmaceuticals and healthcare products from Simcare Group for further distribution and consumption purpose. In anticipation of the Listing, on October 8, 2020, our Company and Simcare Jiangsu, for themselves and on behalf of their respective subsidiaries, entered into a procurement framework agreement (the "**Simcare Procurement Framework Agreement**"), pursuant to which Simcare Group agreed to sell certain products to our Group for our on-selling and consumption purpose at the prevailing market price and on terms no less favorable to our Group than those offered to the other customers of Simcare Group.

The Simcare Procurement Framework Agreement is for an initial term commencing on the Listing Date and expiring on December 31, 2022 and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total amount paid by our Group to Simcare Group for the procurement of relevant pharmaceuticals and healthcare products (excluding JianPiBaZhenGao (健脾八珍糕), a product we have ceased to purchase from Simcare Group since September 2020) was approximately RMB1.1 million, RMB1.9 million, RMB2.5 million and RMB1.5 million, respectively.

5. Simcere Diagnostics Sample Services Agreement

Our in-house sales and marketing team closely interacts with KOLs as well as healthcare professionals at our target hospitals and other medical institutions in various comprehensive academic marketing activities. Leveraging our marketing capabilities, on January 1, 2019, Jiangsu Simcere and Jiangsu Simcere Diagnostics entered into a comprehensive services agreement (the "**Simcere Diagnostics Sample Services Agreement**"), pursuant to which Jiangsu Simcere agreed to provide certain comprehensive services to Jiangsu Simcere

Diagnostics, which mainly include delivering the medical diagnosis samples between the designated medical institutions and Jiangsu Simcere Diagnostics. We charge Jiangsu Simcere Diagnostics a fixed service fee of RMB100 for each sample we delivered.

The Simcere Diagnostics Sample Services Agreement is for a term of two years commencing from January 1, 2019. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the amount of service fees paid by Jiangsu Simcere Diagnostics to us under the Simcere Diagnostics Sample Services Agreement was nil, nil, approximately RMB438,679 and RMB202,965, respectively.

6. Medway Media Cooperation Framework Agreement

On July 1, 2017, Jiangsu Simcere (a subsidiary of our Group) and Nanjing Medway entered into a media cooperation framework agreement (the "**Medway Media Cooperation Framework Agreement**"), pursuant to which Nanjing Medway agreed to provide us with certain media promotion services which include, among others, filming and editing the training courses, media supporting services with respect to network broadcast and online meetings, filming the promotion and other videos, and other media promotion services at a prevailing market price.

The Medway Media Cooperation Framework Agreement is for a term of five years commencing from July 1, 2017 and expiring on June 30, 2022. Accordingly, the remaining term of this Medway Media Cooperation Framework Agreement is less than three years. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the amount of service fees paid by us to Nanjing Medway under the Medway Media Cooperation Framework Agreement was approximately RMB100,000, nil, RMB1,075,050 and RMB74,989, respectively.

7. Yoai Technology Procurement Agreement

Yoai Technology, as a member of Yoai Group, primarily engages in the development, manufacturing and marketing of personal hygiene products. On March 12, 2020, Jiangsu Simcere (a subsidiary of our Group) and Yoai Technology entered into a procurement agreement ("**Yoai Technology Procurement Agreement**"), pursuant to which Jiangsu Simcere agreed to purchase disposable masks from Yoai Technology for consumption purpose at a prevailing market price of similar products.

The Yoai Technology Procurement Agreement is for a term commencing from March 12, 2020 and expiring on December 31, 2020. The total transaction amount of the aforesaid procurement during the Track Record Period was nil.

(B) Sharing of Administrative Services

8. Utility Charge Agreement

Both BioSciKin Innovative Pharmaceutical and Simcere Biological Pharmaceutical own certain properties located at Huakang Road, Pukou Gaoxin District, Nanjing, Jiangsu, the PRC. Due to the design of municipal supporting facilities, BioSciKin Innovative Pharmaceutical has no independent water and electricity meters and has shared such facilities with Simcere Biological Pharmaceutical (a subsidiary of our Company) since January 2020. On June 9, 2020, Simcere Biological Pharmaceutical and BioSciKin Innovative Pharmaceutical entered into a utility charge agreement (the "**Utility Charge Agreement**"), pursuant to which Simcere Biological Pharmaceutical agreed to make payment for the utilities expense incurred by BioSciKin Innovative Pharmaceutical and charge BioSciKin Innovative Pharmaceutical such fees on a cost basis.

The Utility Charge Agreement is for a term of three years commencing from June 9, 2020. The total transaction amount of the aforesaid charge for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was nil, nil, nil and approximately RMB105,107, respectively.

The transactions contemplated under the Utility Charge Agreement constitute the sharing of administrative services on a cost basis under Rule 14A.98 of the Listing Rules, and the costs are identifiable and can be allocated to the parties on a fair and equitable basis. Therefore, such transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(C) Financial Assistance

9. Guarantees provided by Mr. Ren and his close associates

Mr. Ren and his certain close associates (namely Nanjing BioSciKin Technology, Nanjing Huasheng and Ms. Wang Xi) have provided Connected Guarantees in favor of our Group in respect of certain financing arrangements entered into by our Group. We have no current plan to release the outstanding Connected Guarantees prior to the Listing as our Directors believe that the Connected Guarantees are in the best interests of our Group and Shareholders as a whole. For more details of the Connected Guarantees as well as the reasons for and benefits of the Connected Guarantees, see "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence."

The Connected Guarantees provided by Mr. Ren and his close associates in favor of our Group constitute financial assistance received by our Group from our connected persons under Rule 14A.90 of the Listing Rules, which are on normal commercial terms or better to our Group, and no security over our assets has been granted to Mr. Ren or his close associates in respect of the provision of the Connected Guarantees. Therefore, the Connected Guarantees

provided by Mr. Ren and his close associates in favor of our Group will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of each of these transactions is expected to be, on an annual basis, more than 0.1% but less than 5%. Therefore, such transactions will constitute continuing connected transactions of our Company upon Listing subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

10. Property Lease and Comprehensive Services Framework Agreement

On October 8, 2020, our Company and Nanjing BioSciKin Technology, for themselves and on behalf of their respective subsidiaries, entered into a property lease and comprehensive services framework agreement (the "**Property Lease and Comprehensive Services Framework Agreement**"), pursuant to which Nanjing BioSciKin Technology agreed to (i) lease certain properties owned by it or its subsidiaries located at No. 699-18, Xuanwu Avenue, Xuanwu District, Nanjing, the PRC (the "**BioSciKin Innovation Park**") to our Group for office, laboratory and staff dormitory use and provide related property management services; and (ii) provide us with certain general supporting services within the BioSciKin Innovation Park, which include, among others, utilities and network support, conference supporting services, staff canteen services, accommodation services and other logistics services.

Separate underlying agreements will be entered into between the parties to set out the specific terms and conditions within the parameters provided under the Property Lease and Comprehensive Services Framework Agreement, which shall include (i) the property rents and relevant property management fees, payment methods and other usage fees in respect of the relevant leased property; and (ii) the category and scope of service, service requirements, service fee, relevant calculation basis and payment methods in respect of the general supporting services.

The Property Lease and Comprehensive Services Framework Agreement is for an initial term commencing on the Listing Date and expiring on December 31, 2022 and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for and benefits of the transactions

Nanjing BioSciKin Technology and its subsidiaries own and manage the properties in the BioSciKin Innovation Park. Historically our Group had leased and used certain properties in the BioSciKin Innovation Park as our headquarters for offices, laboratories and staff dormitories use, and Nanjing BioSciKin Technology and its subsidiaries had provided us with general supporting services. As of the Latest Practicable Date, the properties we leased from Nanjing BioSciKin Technology and its subsidiaries included properties with a total gross floor area of 33,984 sq.m. and 175 units with a gross floor area ranging from 15 to 150 sq.m. each.

In view that (i) we have leased certain properties in the BioSciKin Innovation Park as our headquarters during the Track Record Period and we have invested in decoration for these properties we leased which is tailor-made for our Group's specific use, (ii) acquiring the general supporting services within the BioSciKin Innovation Park is more efficient and practicable for our Group as compared to soliciting the same from outside third party providers, and (iii) relocation to other premises will cause unnecessary disruptions to our business and additional costs and expenses, the continuation of these lease and the relevant supporting services is convenient and cost-effective for our Group and is in line with our Group's business needs and economic interests. Therefore, our Directors are of the view that it is in the interest of our Group and our Shareholders as a whole to enter into the Property Lease and Comprehensive Services Framework Agreement and continue the current arrangement with Nanjing BioSciKin Technology and its subsidiaries in relation to the property lease and relevant property management and general supporting services.

Pricing policy

Pursuant to the Property Lease and Comprehensive Services Framework Agreement:

- with respect to the property lease and property management services, we shall pay Nanjing BioSciKin Technology and/or its subsidiaries rents, property management fees for the underlying leased properties. The rents and property management fees under the Property Lease and Comprehensive Services Framework Agreement are RMB2.2-3.0/sq.m./day and RMB6.0/sq.m./month, respectively, which are determined after arm's length negotiations between the parties thereto and shall be in line with or no more than the prevailing market rates for properties of comparable size and quality in the vicinity which are available to Independent Third Parties; and

- with respect to the general supporting services, we shall pay Nanjing BioSciKin Technology and/or its subsidiaries (where applicable) service fees, which are determined based on arm's length negotiations between the parties thereto with reference to (i) historical service fees; (ii) actual cost as to other charges relating to the leased properties, including utilities and network expenses; (iii) the actual administrative cost incurred by Nanjing BioSciKin Technology and/or its subsidiaries; and (iv) the comparable service fee rate charged by Nanjing BioSciKin Technology and/or its subsidiaries for such services provided for third parties.

The terms of the Property Lease and Comprehensive Services Framework Agreement were agreed upon on normal commercial terms after arm's length negotiations between the parties thereto. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has confirmed that the rents and relevant services fees and charges payable by us to Nanjing BioSciKin Technology and/or its subsidiaries with respect to the property lease and property management services under the Property Lease and Comprehensive Services Framework Agreement are fair and reasonable and reflect the market rates for similar premises in the vicinity of the relevant property.

Our Group will solicit fee quotations from Nanjing BioSciKin Technology and its subsidiaries before any new agreement under the Property Lease and Comprehensive Services Framework Agreement is proposed to be entered into between the parties. Our Group will also inquire with two or more Independent Third Parties to provide quotations of similar comparable properties in the vicinity and/or comparable supporting services. Our Group will compare such information to decide whether the quotation offered by Nanjing BioSciKin Technology and its subsidiaries is no less favorable to our Group than those offered by Independent Third Parties and whether the terms are fair and reasonable.

Accounting implications of the Property Lease and Comprehensive Services Framework Agreement

In accordance with the HKFRSs applicable to our Group, the payments by our Group contemplated under the Property Lease and Comprehensive Services Framework Agreement comprise different components and hence different accounting treatments will be applied. The rent to be paid by our Group under the Property Lease and Comprehensive Services Framework Agreement is capital in nature and will be recognized, among others, as assets of our Group at the commencement date of the existing underlying lease agreements under the Property Lease and Comprehensive Services Framework Agreement.

Our Group has adopted all applicable new and revised HKFRSs, including HKFRS 16 Leases, which is mandatory for the financial period beginning on January 1, 2019, to the Track Record Period. Under HKFRS 16, our Group as the lessee shall recognize a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rents). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the lease payments over the lease term using the incremental borrowing rate as the discount rate. Under HKFRS 16, the Group shall recognize (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expense is calculated based on lease liability balance using the effective interest rate method.

Historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, (i) the total amount of the rents and property management services fees in relation to the lease of properties paid by us to Nanjing BioSciKin Technology and its subsidiaries was approximately RMB11.2 million, RMB28.5 million, RMB47.8 million and RMB19.8 million, respectively; and (ii) the total amount of the general supporting fees paid by us to Nanjing BioSciKin Technology and its subsidiaries was approximately RMB9.3 million, RMB8.7 million, RMB11.2 million and RMB5.8 million, respectively.

Annual caps

The proposed annual caps for the transactions pursuant to the Property Lease and Comprehensive Services Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

	Proposed annual caps for the years ended December 31,		
	2020	**2021**	**2022**
	(RMB in thousands)		
Rents and property management services fees	42,000	42,000	47,000
General supporting fees	13,000	14,000	17,000
Total	55,000	56,000	64,000

The proposed annual caps with respect to the rents and property management services fees are estimated primarily based on the following reasons and factors:

- the transaction amount as agreed under the existing property lease agreements. The existing leased properties included properties with a total gross floor area of 33,984 sq.m. and 175 units with a gross floor area ranging from 15 to 150 sq.m. each, which will expire on December 31, 2020 and are expected to be renewed annually thereafter at fix rate of annual rents and management services fees;

- considering an anticipated increase in our business scale and number of staff, the additional space that is expected to be leased from Nanjing BioSciKin Technology and its subsidiaries in 2022 for office, training centre and other use upon completion of the construction of relevant properties, the total gross floor area of which are estimated to be 13,889 sq.m.

The proposed annual caps with respect to the general supporting fees are estimated primarily based on the following reasons and factors:

- the historical transaction amounts;
- the estimated increase in demand for general supporting services within the BioSciKin Innovation Park as a result of the anticipated increase in our business scale and number of staff and taking into account the additional space that is expected to be leased in 2022; and
- the potential fluctuation of the prevailing market rate of comparable supporting services taking into account the potential fluctuation of the actual cost.

11. Simcare Sales and Distribution Framework Agreement

On October 8, 2020, our Company and Simcare Jiangsu, for themselves and on behalf of their respective subsidiaries, entered into a sales and distribution framework agreement (the "**Simcare Sales and Distribution Framework Agreement**"), pursuant to which Simcare Jiangsu agreed to purchase certain pharmaceuticals provided by us for retail sales and further distribution.

Separate underlying sales and distribution agreements will be entered into between the parties to set out the detailed terms, including the category of pharmaceuticals, designated distribution area, pricing terms, and method of payment, based on the principles and within the parameters provided under the Simcare Sales and Distribution Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case and a fair and reasonable basis after arm's length negotiation between the parties.

The Simcare Sales and Distribution Framework Agreement is for an initial term commencing on the Listing Date and expiring on December 31, 2022 and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for and benefits of the transactions

Simcare Group (namely Simcare Jiangsu and its subsidiaries) primarily engages in the retail business of pharmaceutical products, medical devices and healthcare products through its self-owned pharmacies and online shops. As of the Latest Practicable Date, Simcare Group manages and operates approximately 360 pharmacies in various cities in the PRC and sells a wide range of products under various brands to end-users at its pharmacies and online shops.

We sell our products and third-party products directly to large-scale national or regional pharmacy chains in China. During the Track Record Period, Simcare Group, as a pharmacy operation group, was a customer of our Group' direct sales and purchased various pharmaceuticals (including, among others, Iremod, Endostar and Softan) from our Group for its retail sales. Also, we have granted a national exclusive distribution right to Jiangsu Simcare Pharmaceutical, a member of Simcare Group, to distribute Simcare Compound Granules, a product we manufacture in-house. The sales of pharmaceuticals to Simcare Group under the Simcare Sales and Distribution Framework Agreement is in the ordinary and usual course of our business, and the prices and terms offered by our Group to Simcare Group are no more favorable than those offered to other customers which are Independent Third Parties. Moreover, the established retail pharmacy chains of Simcare Group through its self-owned pharmacies increases the effectiveness of our sales and enable us to gain a stream of recurring revenue. Hence, we believe that our sales of pharmaceuticals to Simcare Group are profitable and are in the interests of our Group and the Shareholders as a whole.

Pricing policy

The price of the pharmaceuticals sold to Simcare Group (excluding those we sold to Simcare Group for its distribution as our national exclusive distributor) shall be fixed during the term of the separate underlying sales and distribution agreements under the Simcare Sales and Distribution Framework Agreement, which shall be determined with reference to (i) historical selling price; (ii) our production cost or purchase price of third-party pharmaceutical products, where applicable; (iii) the successful bid price of relevant pharmaceuticals in the centralized tender process held in the target market; and (iv) the prices which we offer to our other customers and distributors which are Independent Third Parties.

The price of the pharmaceuticals we sold to Simcare Group for its distribution as our national exclusive distributor (namely Simcare Compound Granules as of the Latest Practicable Date) shall be fixed during the term of the separate underlying sales and distribution agreements under the Simcare Sales and Distribution Framework Agreement, which shall be determined with reference to (i) historical selling prices; and (ii) our production cost taking into account an acceptable level of profit margin of both our Group and Simcare Group. Although we grant the exclusive distributorship at national level to Simcare Group, we believe that the terms we offer to Simcare Group are fair and reasonable and in the interest of our Company and our Shareholders as a whole on the basis that (i) Simcare Compound Granules is an OTC pharmaceutical, which makes it a suitable subject for sales under national exclusive distributorship model where our Group, as the manufacturer, is able to minimize our risk exposure for downstream sales; (ii) there are currently many substitutes of Simcare Compound Granules readily available in the market, therefore we believe that both manufacturers and distributors, including our Group and Simcare Group, have reasonable expectation on the level of profit margin for this type of pharmaceuticals during commercial negotiations of the relevant prices, and the profit margin that we charge from Simcare Group for Simcare Compound Granules has remained at a relatively defined and stable scale in order for us to earn a profit from our sales to Simcare Group and for the retail selling price of Simcare Compound Granules to stay competitive at the same time; (iii) as confirmed by Frost

& Sullivan, the above-mentioned pricing method, whereby our Group, as the manufacturer, grants a national exclusive distributorship to Simcare Group at a price which can cover our production cost with an acceptable level of profit margin based on commercial negotiations between the parties, is in line with usual market practice under such a national exclusive distributorship model; and (iv) despite the fact that our Group does not currently have other national exclusive distributors other than Simcare Group, the major terms and the cooperation mechanism as contemplated under the distribution agreement between us and Simcare Group for Simcare Compound Granules are consistent with those distribution agreements under which we act as the national exclusive distributor for products of other third party pharmaceutical companies.

In the event of a price change as a result of regulatory or policy changes during the term of such underlying agreement, we and the relevant members of Simcare Group will negotiate about price adjustments accordingly. Our independent non-executive Directors will regularly review and reassess the sales price of the pharmaceuticals sold to Simcare Group annually.

Historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total amount of our sales of pharmaceuticals to Simcare Group was approximately RMB13.8 million, RMB8.3 million, RMB10.6 million and RMB9.1 million, respectively.

Annual caps

The proposed annual caps for the transactions pursuant to the Simcare Sales and Distribution Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

Proposed annual caps for the years ended December 31,		
2020	**2021**	**2022**
(RMB in thousands)		
20,000	22,000	24,200

The proposed annual caps are estimated primarily based on the following reasons and factors:

- the historical transaction amounts, including the total amount of our sales of pharmaceuticals to Simcare Group for the six months ended June 30, 2020 of approximately RMB9.1 million; and

- a buffer of 10% to cater for potential increase in demand for the relevant pharmaceuticals in 2021 and 2022 as a result of the anticipated growing market demand and expansion of the retail network of Simcare Group.

12. Sanroad Promotion Services Framework Agreement

Principal terms

On October 8, 2020, Jiangsu Simcere and Beijing Sanroad entered into a promotion services framework agreement (the "**Sanroad Promotion Services Framework Agreement**"), pursuant to which Jiangsu Simcere agreed to (i) provide promotion services to Beijing Sanroad within the designated geographic areas in the PRC with respect to TB-PPD (purified protein derivative of tuberculin), and (ii) assist Beijing Sanroad in launching TB-PPD to the target market.

Separate underlying agreements will be entered between the parties annually to set out the details, including the category and scope of services, minimum promotion requirements, service fees, relevant calculation basis and method of payment, based on the principles and within the parameters provided under the Sanroad Promotion Services Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case and a fair and reasonable basis after arm's length negotiation between the parties.

The Sanroad Promotion Services Framework Agreement is for an initial term commencing on the Listing Date and expiring on December 31, 2022 and is renewable for a term of three years upon mutual consent and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for and benefits of the transactions

Beijing Sanroad primarily engages in (i) the development and manufacturing of diagnostic reagents, the key product of which is TB-PPD; and (ii) development of prophylactic vaccines. Beijing Sanroad is the exclusive provider of TB-PPD in the PRC.

TB-PPD is a reagent used in the testing and diagnosis of tuberculosis that has been included in the "Industry Standards of the People's Republic of China – Tuberculosis Diagnosis (WS288-2017)" (《中華人民共和國行業標準 – 肺結核診斷 (WS288-2017)》) issued by the NHC. We had purchased TB-PPD from Beijing Sanroad since 2016 for further on-selling and distribution. With the implementation of the "dual invoicing system" across China, instead of sourcing such products from Beijing Sanroad and on-selling them to our customers, we started to provide promotion services to Beijing Sanroad with respect to TB-PPD through our in-house sales and marketing team in the second half of 2018. For more details about the "dual invoicing system," see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Dual Invoicing System." Our services provided to Beijing Sanroad under the Sanroad Promotion Services Framework Agreement are in the ordinary and usual course of our business, and the prices and terms offered by our Group to Beijing Sanroad are no more favorable than those offered to other customers which are Independent Third Parties. Hence, our promotion services provided to Beijing Sanroad are profitable and are in the interests of our Group and the Shareholders as a whole.

Pricing policy

The promotion fees payable by Beijing Sanroad to us are equal to, after deducting the tax incurred and other costs, our customers' total purchase volume in designated areas multiplied by the difference between (a) the target price, which is determined with reference to the bidding prices of TB-PPD in designated areas, and (b) the settlement price, which is agreed between Jiangsu Simcere and Beijing Sanroad after arm-length negotiations and determined with reference to (i) the historical settlement price; and (ii) the settlement price Beijing Sanroad offered to its third parties promoters. Our independent non-executive Directors will regularly review and reassess the pricing policy of the promotion services provided to Beijing Sanroad annually.

Historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total amount of the promotion services fees paid by Beijing Sanroad to our Group was nil, approximately RMB26.4 million, RMB42.5 million and RMB19.4 million, respectively.

Prior to the implementation of the "dual invoicing system," we historically purchased TB-PPD from Beijing Sanroad for further on-selling and distribution. For the years ended December 31, 2017, 2018 and 2019, the total amount of such procurement of TB-PPD paid by our Group to Beijing Sanroad was approximately RMB2.5 million, RMB0.8 million and nil, respectively.

Annual caps

The proposed annual caps for the transactions pursuant to the Sanroad Promotion Services Framework Agreement for the three years ending December 31, 2020, 2021 and 2022 are set out below:

Proposed annual caps for the years ended December 31,		
2020	**2021**	**2022**
	(RMB in thousands)	
68,000	110,000	150,000

The proposed annual caps are estimated primarily based on the following reasons and factors:

- the historical transaction amounts;

- the estimated rapid increase in sales volume of TB-PPD given (i) the positive effects on demand of designated medical institutions for TB-PPD following the implementation of "China Tuberculosis Prevention Action Plan (2019-2022)"(《中國遏制結核病行動計劃(2019-2022)》) (the "**Tuberculosis Prevention Action Plan**") collectively issued by eight governmental authorities (including NHC and MOF), which requires detection of patients to the maximum extent and enhancing symptom screening of the target population; (ii) the effects of our market development investment and promotion activities conducted in the previous three years to be reflected, and our enhanced promotion activities for TB-PPD at the target medical institutions since 2020 due to the implementation of the Tuberculosis Prevention Action Plan; and (iii) the expected rapid growth of the diagnosis market in China in the following three years.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

13. Contractual Arrangements

Background

As disclosed in "Contractual Arrangements," due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we, as foreign investors, are prohibited from holding equity interest in our Consolidated Affiliated Entity, namely Shanghai Xianbo. As a result, our Group, through our wholly-owned subsidiary, Shanghai Xianjing, has entered into the Contractual Arrangements with Shanghai Xianbo and the Registered Shareholders such that we can conduct our Relevant Business indirectly in the PRC through Shanghai Xianbo while complying with the applicable PRC laws and regulations. The Contractual Arrangements enable our Group to, among others, (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entity in consideration for the services provided by Shanghai Xianjing to our Consolidated Affiliated Entity; (ii) exercise effective control over our Consolidated Affiliated Entity; and (iii) hold an exclusive option to acquire all or part of the equity interest in and/or the assets of our Consolidated Affiliated Entity when and to the extent permitted by the PRC laws and regulations.

The Contractual Arrangements consist of a series of agreements. For further details, see "Contractual Arrangements."

Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as a certain party to the Contractual Arrangements, namely Mr. Ren, one of the members of the Registered Shareholders, is a connected person of our Company.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of our Group, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, our Consolidated Affiliated Entity and any member of our Group (the "**New Intergroup Agreements**") technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules after the Listing, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders' approval requirements.

WAIVER APPLICATIONS FOR PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions described under the sub-section headed "– Partially-exempt Continuing Connected Transactions" will constitute our continuing connected transactions which are subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the partially-exempt continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver from the strict compliance with the announcement requirements for the transactions described under the sub-section headed "– Partially-exempt Continuing Connected Transactions" subject to the condition that the annual caps stated above are not exceeded.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

WAIVER APPLICATIONS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders' approval. Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entity through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the equity interest of Shanghai Xianbo at the minimum amount of consideration permitted under the applicable PRC laws, (ii) the business structure under which the profit generated by our Consolidated Affiliated Entity is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Shanghai Xianjing by our Consolidated Affiliated Entity under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entity.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entity during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in

accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our Consolidated Affiliated Entity will be treated as our wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entity and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entity), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Our Consolidated Affiliated Entity will undertake that, for so long as the Shares are listed on the Stock Exchange, our Consolidated Affiliated Entity will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

In addition, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that our Consolidated Affiliated Entity will continue to be treated as our subsidiary, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entity and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entity), other than those under the Contractual Arrangements and the New Intergroup Agreements, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will continue to be carried out in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of our Consolidated Affiliated Entity can be effectively controlled by Shanghai Xianjing, (ii) Shanghai Xianjing can obtain the economic benefits derived from our Consolidated Affiliated Entity, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented, on an uninterrupted basis.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors; and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Joint Sponsors are of the view that aforesaid continuing connected transactions have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps (if any) for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice to ensure that (i) the financials and operation of our Consolidated Affiliated Entity can be effectively controlled by Shanghai Xianjing, (ii) Shanghai Xianjing can obtain the economic benefits derived from our Consolidated Affiliated Entity, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented on an uninterrupted basis.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, SPHL and Artking directly held approximately 51% and 25.88% of the total issued share capital of our Company, respectively. The shareholding structure of each of SPHL and Artking is as follows:

- Artking is directly held by our Ultimate Controlling Shareholders as to approximately 86.93%;

- SPHL is directly held by Simcere Investments and Artking as to approximately 66.67% and 15.84%, respectively, and Simcere Investments is wholly owned by Simcere Holding, which is in turn directly held by Artking, EGG and FFI as to approximately 55.45%, 17.05% and 15.79%, respectively;

- EGG and FFI also directly held approximately 4.78% and 5.16% of the total issued share capital of our Company, respectively; and

- EGG is wholly owned by Mr. Ren, and FFI is directly held by EGG as to approximately 76.06%.

As our Ultimate Controlling Shareholders hold their interests in our Company through SPHL, Artking, FFI, Simcere Holding and Simcere Investments, each being a special purpose vehicle, our Ultimate Controlling Shareholders (namely EGG, P&H Holdings, Right Wealth, Mr. Ren, Mr. Ren Yong, Ms. Li Shimeng, Mr. Ren Weidong, Ms. Ren Zhen and Ms. Peng Suqin), together with SPHL, Artking, FFI, Simcere Holding and Simcere Investments, will constitute a group of controlling shareholders of our Company for the purpose of the Listing Rules. The other shareholders of each of SPHL, Artking, FFI and Simcere Holding are either employee incentive platforms beneficially held by certain scheme participants, or minority shareholders which are independent of and not associated with our Ultimate Controlling Shareholders, therefore, these shareholders shall not be regarded as part of the group of controlling shareholders of our Company for the purpose of the Listing Rules.

As of the Latest Practicable Date, our Ultimate Controlling Shareholders, directly and indirectly through SPHL, Artking, FFI, Simcere Holding and Simcere Investments, collectively held and were entitled to exercise the voting rights attaching to approximately 86.82% of the total issued share capital of our Company. Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Ultimate Controlling Shareholders, directly and indirectly through SPHL, Artking, FFI, Simcere Holding and Simcere Investments, will be collectively entitled to exercise the voting rights attaching to approximately 78.13% of the enlarged total issued share capital of our Company. Therefore, our Ultimate Controlling Shareholders, together with SPHL, Artking, FFI, Simcere Holding and Simcere Investments, will continue to be our Controlling Shareholders after the Listing.

DELINEATION OF BUSINESS

Our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, save as disclosed in this prospectus, none of them is interested in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business, which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

Simcare Group

Simcare Jiangsu (together with its subsidiaries, "**Simcare Group**"), a company established in the PRC on August 3, 2001, is held as to (i) 78.4% by Nanjing Huasheng, a company ultimately wholly owned by Mr. Ren, and (ii) 19.6% by Nanjing Xianyi Venture Capital Center (Limited Partnership) (南京先益創業投資中心(有限合夥)), the general partner and the limited partner of which are Nanjing Huasheng and Mr. Ren Weidong, respectively; and (iii) 2% by Mr. Yang Xiaohua (楊孝華), an Independent Third Party.

Our Directors are of the view that there is clear delineation and no material competition between the business operated by Simcare Group and our Group for the following reasons:

(a) ***No competition with respect to the principal business.*** Simcare Group, as a pharmacy operation group, primarily engages in retail business of pharmaceutical products, medical devices and healthcare products and other products through approximately 360 pharmacies operated and/or owned by it in various cities in the PRC and its online shops. In contrast, our Group primarily engages in the development, manufacturing, marketing and promotion of pharmaceuticals and does not carry out any retail business. As such, the principal business activities of Simcare Group and our Group are fundamentally different from each other, and there is no competition between Simcare Group and our Group with respect to the retail business.

(b) ***No material business competition with respect to wholesale business.*** Simcare Group also sells pharmaceutical and healthcare products as distributor on a limited scale. Although both Simcare Group and our Group sell pharmaceutical products at a wholesale level, our Directors are of the view that there is clear delineation and no material competition in this regard for the following reasons:

(i) ***Different business model***. The business model of the pharmaceutical wholesale of Simcare Group and our Group is fundamentally different from each other on the following basis:

- *Different product portfolio.* Among our pharmaceutical products sold to distributors and pharmacy chains, the substantial majority are prescription pharmaceuticals. In contrast, Simcare Group primarily wholesales OTC and healthcare products to its wholesale customers, and

only wholesales prescription pharmaceuticals on a limited scale. Therefore, the product portfolios under the wholesale business of each of Simcare Group and our Group are fundamentally different from each other.

- *Different direct customer structure.* We sell our pharmaceutical products and third-party pharmaceutical products at a wholesale level through the following two channels: (i) primarily through distributors, where such distributors are our direct customers and further distribute pharmaceutical products to hospitals, other medical institutions and pharmacies; and (ii) to a much lesser extent, through direct sales to pharmacy chains. Our revenue generated from sales to distributors and sales to pharmacy chains represented approximately 90.8% and 9.2% for the year ended December 31, 2019, and 86.8% and 13.2% for the six months ended June 30, 2020, of the total revenue generated from our pharmaceutical sales, respectively. In comparison, substantially all direct customers under the wholesale business of Simcare Group are retail pharmacies, including the pharmacies operated by itself. Therefore, the direct customer structures of the wholesale business of each of Simcare Group and our Group are fundamentally different from each other.

- *Different supplier structure and distributorship level.* Among our pharmaceutical sales to distributors, a substantial majority consists of (i) sales of our in-house manufactured pharmaceutical products to third-party national distributors, and (ii) sales of third-party pharmaceutical products procured from other pharmaceutical companies where we serve as the national distributor on an exclusive basis. In contrast, the products under the wholesale business of Simcare Group are all procured from other pharmaceutical companies and pharmaceutical distributors. Simcare Group primarily serves as the lower level sub-distributor during the process of its wholesale business, except for only two national exclusive distributorships for (i) JianPiBaZhenGao (健脾八珍糕), the distributorship of which expired on August 31, 2020 and Simcare Group will refer the commercial opportunity of acquiring such distributorship to us; and (ii) Simcare Compound Granules, the distributorship of which is granted by our Group, the details of which are set forth in "Connected Transactions – Partially-exempt Continuing Connected Transactions – 11. Simcare Sales and Distribution Framework Agreement." Therefore, the primary distributorship level with respect to the wholesale business of each of Simcare Group and our Group are fundamentally different from each other. To enhance the business delineation, our Controlling Shareholders have entered into the Deed of Non-competition, pursuant to

which the Covenantors will procure Simcare Group to refer any commercial opportunities regarding any new national exclusive distributorship to us. See "– Non-competition Undertaking" below for further information.

(ii) ***Minimal operation scale***. According to the financial statements of Simcare Group, (i) the total revenue generated from its wholesale business for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was RMB40.24 million, RMB49.74 million, RMB46.48 million and RMB22.14 million, respectively, representing approximately 1.05%, 1.15%, 0.97% and 1.23% of the total revenue generated from our pharmaceutical sales for the same periods, respectively; and (ii) the total gross profit generated from its wholesale business for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was RMB9.68 million, RMB10.35 million, RMB10.30 million and RMB4.91 million, respectively, representing approximately 0.30%, 0.28%, 0.25% and 0.33% of the total gross profit generated from our pharmaceutical sales for the same periods, respectively. Therefore, the business scale of the pharmaceutical wholesale operated by Simcare Group is immaterial as compared to that of our Group.

Based on the above and given the Deed of Non-competition in place, our Directors are of the view that there is no material business competition between Simcare Group and our Group.

Other Healthcare Related Businesses

As of the Latest Practicable Date, other than the interests in our Group and Simcare Group, our Controlling Shareholders and their close associates were also interested in certain other healthcare related businesses (the "**Other Healthcare Related Businesses**"), details of which are set out below:

Name of company	Interests held by our Controlling Shareholders	Business description
Nanjing BioSciKin Technology (together with its subsidiaries (excluding Beijing Sanroad), "**BioSciKin Group**")	100% indirectly owned by EGG	BioSciKin Group primarily engages in (i) property lease and management with respect to certain properties owned by it at the BioSciKin Innovation Park in Nanjing; and (ii) making investments in certain non-pharmaceutical companies.

Name of company	Interests held by our Controlling Shareholders	Business description
Beijing Sanroad	95.73% indirectly owned by EGG	Beijing Sanroad primarily engages in (i) the development and manufacturing of diagnostic reagents, the key product of which is TB-PPD; and (ii) development of prophylactic vaccines.
Jiangsu Simcere Diagnostics (together with its subsidiaries, "**Simcere Diagnostics Group**")	89.29% collectively and ultimately held by Mr. Ren, his spouse, Mr. Ren Yong and Ms. Li Shimeng	Simcere Diagnostics Group primarily engages in (i) provision of molecular diagnostic technology services; and (ii) manufacturing and marketing of medical devices.
Xiangxiang Wuxian (together with its subsidiary Yoai Technology, "**Yoai Group**")	100% owned by Mr. Ren Yong and Ms. Li Shimeng	Yoai Group primarily engages in development, manufacturing and marketing of personal hygiene products.

As described above, each of the Other Healthcare Related Businesses is fundamentally different in nature from the principal business of our Group. Given the clear business delineation between our Group on the one hand and the Other Healthcare Related Businesses on the other hand, as well as the Deed of Non-competition in place, our Directors are of the view that there is no business competition between our Group and the Other Healthcare Related Businesses.

Due to the different business nature and in order to allow us to focus on our core business, we excluded from our Group, and currently do not have any intention to inject into our Group in the future, each of the Simcare Group and the Other Healthcare Related Businesses.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") entered into a deed of non-competition (the "**Deed of Non-competition**") in favor of our Company on October 8, 2020, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, to our Company that, at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that his/her/its close associates (other than members of our Group) will not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment

activities in the PRC, Hong Kong and other territories where our Company carries out business which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "**Restricted Business**").

The above restrictions do not prohibit any of the Covenantors and his/her/its close associates (excluding members of our Group) from:

(a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interest in our Group from time to time;

(b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (i) such investment or interest does not grant any of the Covenantors and their respective close associates any right to control the composition of the board of directors or managers of such entity, (ii) none of the Covenantors or their respective close associates control the board of directors or managers of such entity, and (iii) such investment or interest does not grant any of the Covenantors and their respective close associates any right to participate directly or indirectly in such entity; or

(c) participating in any New Business Opportunities (as defined below) if our Group has declined the New Business Opportunities or no written notice has been received from our Group of our decision to pursue or decline the New Business Opportunity upon expiration of the Offer Notice Period that we shall be deemed to have declined the New Business Opportunity as set out below.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business ("**New Business Opportunities**" and each, a "**New Business Opportunity**") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

(a) As soon as he/she/it becomes aware of any New Business Opportunity, give written notice (the "**Offer Notice**") to us identifying the target company (if relevant) and the nature of the New Business Opportunity, detailing all information available to him/her/it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to him/her/it).

(b) Our Company shall, as soon as practicable and in any case within 30 Business Days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the relevant Covenantor in writing of its intention to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the

third party offering him/her/it, proposing or presenting the New Business Opportunity and the relevant Covenantor shall use his/her/its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.

(c) Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.

(d) The relevant Covenantor may, at his/her/its absolute discretion, consider extending the Offer Notice Period as appropriate.

(e) The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

(i) he/she/it has received a written notice from us declining the New Business Opportunity; or

(ii) he/she/it has not received any written notice from us of our intention to pursue or decline the New Business Opportunity within 30 Business Days from our receipt of the Offer Notice, or if he/she/it has extended the Offer Notice Period, within such other period as agreed by him/her/it, in which case our Company shall be deemed to have declined the New Business Opportunity.

(f) If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, he/she/it shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their close associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in announcements to the public or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Deed of Non-competition, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, to us the following:

(a) the Covenantors shall provide, and shall procure their close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition;

(b) without prejudicing the generality of paragraph (a) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Deed of Non-competition;

(c) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual reports or by way of announcements to the public; and

(d) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the Covenantors or any of their respective close associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcements to the public.

For the purposes of the above, the "**Relevant Period**" means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and, as the case may be, any of their close associates, cease to hold, or otherwise control or be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

We engage in our operations independently and make and implement our operational decisions independently. We do not share operation team, facilities and equipment with our Controlling Shareholders and their respective associates. We are in possession of all relevant licenses, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. Our Group has established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates. We have independent access to and a large and diversified base of suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

During the Track Record Period, our Group conducted certain transactions with our Controlling Shareholders' close associates on a recurring basis which are expected to continue after the Listing and will constitute continuing connected transactions of our Company under the Listing Rules. In particular, as of the Latest Practicable Date, we leased properties with a total gross floor area of 33,984 sq.m. and 175 units and received property management and general supporting services from certain close associates of our Controlling Shareholders. See "Connected Transactions – Partially-exempt Continuing Connected Transactions – 10. Property Lease and Comprehensive Services Framework Agreement" for further details. Such leased properties accounted for a limited proportion of the total properties we owned or leased. As of the Latest Practicable Date, the total GFA of our owned and leased properties were approximately 180,448 sq.m. As our Group has been using such properties and services historically, we believe that compared to relocating to alternative properties, it is in the interest of our Group in terms of cost, time, efficiency and operational stability to continue such lease and service arrangement. Meanwhile, we believe that even if the above agreements are terminated, we would be able to find suitable alternatives from our owned properties or lessors who are Independent Third Parties in the locality without undue delay or inconvenience incurred to the operation of our business. Accordingly, our Directors are of the view that such arrangement does not have any material adverse impact on our operational independence from our Controlling Shareholders. In addition, all such connected transactions are conducted after arm's length negotiation and are on normal commercial terms, which do not indicate any undue reliance by our Group on our Controlling Shareholders and are beneficial to our Group and our Shareholders as a whole. For further details, see "Connected Transactions."

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates.

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, among whom Mr. Ren, the chairman of the Board, an executive Director and the chief executive officer of our Company, is a member of our Controlling Shareholders. For further details, see "Directors and Senior Management."

Save as disclosed below, none of our Directors or members of our senior management serves as director or member of senior management in our Controlling Shareholders and their close associates (other than members of our Group):

		Major positions held in our Controlling Shareholders and their close associates (other than members of our Group)	
Name	**Position in our Company**	**Name of company**	**Position**
Mr. Ren	Chairman of the Board, executive Director and chief executive officer	Artking[(1)]	director
		SGG[(1)]	director
		Nanjing BioSciKin Technology[(1)]	chairman and director
		Hainan BioSciKin[(1)]	chairman and director
		BioSciKin Medical[(2)]	chairman and director
		Nanjing BioSciKin Pharmaceutical[(2)]	director
		BioSciKin Innovative Pharmaceutical[(2)]	director
		Nanjing BioSciKin Innovative Medical Technology Co., Ltd. (南京百家匯創新醫療科技有限公司)[(1)]	director
		Nanjing Bangyi Technology Development Co., Ltd. (南京邦益科技發展有限公司)[(1)]	director
		Beijing Jinyicheng Enterprise Management Consulting Co., Ltd. (北京錦益誠企業管理諮詢有限公司)[(1)]	director
		Beijing Lingsheng Yizhuo Enterprise Management Consulting Co., Ltd. (北京瓴盛益卓企業管理諮詢有限公司)[(1)]	director
		Beijing Xingao Jiajin Enterprise Management Consulting Co., Ltd. (北京信高佳錦企業管理諮詢有限公司)[(1)]	director
		Next Good[(1)]	director
		Promise Good[(1)]	director
		Hong Kong Wisdom Industrial Development Co., Limited[(1)]	director

		Major positions held in our Controlling Shareholders and their close associates (other than members of our Group)	
Name	Position in our Company	Name of company	Position
		Nanjing Xingao Enterprise Management Consulting Partnership (Limited Partnership) (南京信高企業管理諮詢合夥企業(有限合夥))[(1)]	managing partner (執行事務合夥人)
		Nanjing Yizhuo Enterprise Management Consulting Partnership (Limited Partnership) (南京益卓企業管理諮詢合夥企業(有限合夥))[(1)]	managing partner (執行事務合夥人)
		Nanjing Chengkuo Enterprise Management Consulting Partnership (Limited Partnership) (南京誠闊企業管理諮詢合夥企業(有限合夥))[(1)]	managing partner (執行事務合夥人)
		Nanjing Jiajin Enterprise Management Consulting Partnership (Limited Partnership) (南京佳錦企業管理諮詢合夥企業(有限合夥))[(1)]	managing partner (執行事務合夥人)
		Nanjing Lingsheng Enterprise Management Consulting Partnership (Limited Partnership) (南京瓴盛企業管理諮詢合夥企業(有限合夥))[(1)]	managing partner (執行事務合夥人)
		Nanjing Jinyi Enterprise Management Consulting Partnership (Limited Partnership) (南京錦益企業管理諮詢合夥企業(有限合夥))[(1)]	managing partner (執行事務合夥人)
Mr. Wan Yushan	Executive Director and chief financial officer	FFI[(1)]	director
Mr. Zhao John Huan	Non-executive Director	Simcere Holding[(1)]	director
Mr. Qian Haibo	Vice president	Hainan BioSciKin[(1)]	director

Notes:

(1) As confirmed by Mr. Ren, Mr. Wan Yushan, Mr. Zhao John Huan and Mr. Qian Haibo (as the case may be), these companies had not engaged in any actual business operation or commercial activities as of the Latest Practicable Date.

(2) As confirmed by Mr. Ren, the directorship that he held at each of BioSciKin Medical, Nanjing BioSciKin Pharmaceutical, and BioSciKin Innovative Pharmaceutical is non-executive nature and he has not and will not be involved in their day-to-day management.

Our Directors are of the view that our Board and senior management team are able to manage our business independently from our Controlling Shareholders and their close associates for the following reasons:

(a) as confirmed by Mr. Ren, Mr. Wan Yushan, Mr. Zhao John Huan and Mr. Qian Haibo (as the case may be), none of the aforementioned companies (except for BioSciKin Medical, Nanjing BioSciKin Pharmaceutical and BioSciKin Innovative Pharmaceutical) had engaged in any actual business operation or commercial activities as of the Latest Practicable Date. In the event that any of these companies plan to commence any actual business operation or commercial activities, Mr. Ren will take all actions necessary to ensure his roles in such companies being non-executive in nature. In addition, as confirmed by Mr. Ren, he merely plays non-executive roles in each of BioSciKin Medical, Nanjing BioSciKin Pharmaceutical, and BioSciKin Innovative Pharmaceutical and has not been and will not be involved in their day-to-day management. Mr. Ren's primary responsibilities in such three companies are providing strategic advice and making recommendations on their corporate operation. Therefore, all of Mr. Ren, Mr. Wan Yushan, Mr. Zhao John Huan and Mr. Qian Haibo will have sufficient time and resources to serve on our Board and/or as senior management members, and their officeholding in the aforementioned entities will not affect their discharge of their duties and responsibilities to our Group;

(b) pursuant to the Articles of Association of our Company, in the event that a Director or his close associate has any material interest in a contract or arrangement to be entered into with our Group, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract, arrangement or any other proposal and shall not be counted in the quorum present at the relevant Board meeting;

(c) we have appointed three independent non-executive Directors (accounting for more than one-third of our Board) to balance the number of potentially interested Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and another company or entity to which a Director or senior management member holds office. We believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring sound, independent and impartial judgment to the decision-making process of our Board;

(d) each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the interests of our Company and the Shareholders as a whole, and do not allow any conflict between his duties as a Director and his personal interests; and

(e) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their respective close associates which would support our independent management. See "– Corporate Governance Measures" below for further information.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform their roles in our Company in managing our business independently.

Financial Independence

We have established a finance department which operates entirely independently of the Controlling Shareholders with a team of independent financial staff. In addition, our Company has established a sound and independent financial system and makes financial decisions according to our Company's business needs, which are independent of our Controlling Shareholders.

Immediately following the Listing, we expect to retain certain credit facilities or borrowings (the "**Guaranteed Facilities**") which are secured by guarantees provided by Mr. Ren and his close associates (the "**Connected Guarantees**"), details of which are set out below:

Lender	Type of financing	Effective date	Maturity date	Annual interest rate	Balance as of June 30, 2020	Nature of financial assistance
China Merchants Bank, Nanjing Branch	Credit facilities	April 28, 2019	April 27, 2022	4.27%-4.28%	RMB600 million	Guarantee provided by Mr. Ren and Nanjing BioSciKin Technology, and share pledge provided by Nanjing Huasheng[(1)]
CDB Development Fund	Borrowing[(2)]	October 21, 2015	March 20, 2019 – October 22, 2025	1.2%[(3)]	RMB72.5 million	Guarantee provided by Mr. Ren and his spouse, Ms. Wang Xi
Total					**RMB672.5 million**	

Notes:

(1) Both Nanjing BioSciKin Technology and Nanjing Huasheng are ultimately wholly owned by Mr. Ren.

(2) The investment of CDB Development Fund in Hainan Simcere is recognized as a borrowing of our Group with the attributable equity interest of Hainan Simcere held by our Group as to 100%. On March 20, 2019 and March 20, 2020, we paid RMB14 million and RMB14 million to CDB Development Fund, which is recognized as the repayment of the borrowing, for the repurchase of 1.54% and 1.54% of the equity interest in Hainan Simcere held by CDB Development Fund, respectively. The outstanding amount to be repurchased as of the Latest Practicable Date is equal to RMB72.5 million which shall be repaid in five installments according to the relevant maturity dates. For further details of CDB Development Fund's investment in Hainan Simcere, see "History, Reorganization and Corporate Structure."

(3) Assuming an annual interest rate of 4.9%, which was the benchmark interest rate for loans with maturity period over five years released by the PBOC in October 2015, as a result of such borrowing, our finance costs would have increased hypothetically by RMB3.7 million, RMB3.7 million, RMB3.3 million and RMB1.5 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, representing approximately 6%, 8%, 3% and 2% of our finance costs for the same periods, respectively. Our Directors are of the view that such pro forma finance costs would not have any material impact on our financial performance during the Track Record Period.

We believe that the premature release of the Connected Guarantees or refinancing the Guaranteed Facilities would not be in the best interests of our Company and our Shareholders based on the following reasons:

(a) the commercial terms of the borrowing we obtained from CDB Development Fund are very favorable to our Group with an annual interest rate at only 1.2%. If we terminate the Connected Guarantees for such borrowing or refinance all or part of such borrowing prematurely, we would incur unnecessary additional costs, expenses and time in doing so, and the terms of any new financing we may obtain may not be as favorable as the borrowing we obtained from CDB Development Fund as mentioned above; and

(b) the Connected Guarantees cannot be released without the prior approval of the decision-making institution of the relevant lender of the Guaranteed Facilities, the process of which is usually cumbersome and time-consuming. We believe that the early release of the Connected Guarantees under these Guaranteed Facilities would be highly difficult and commercially not feasible. Given the insignificant impact of the Guaranteed Facilities on our Group's overall financing capabilities as illustrated below, it would be unduly burdensome for our Group to expend disproportionate resources to attempt to terminate the Connected Guarantees prior to the relevant due dates.

Our Controlling Shareholders' guarantees arose in the context of common industry practice with respect to bank facilities provided to a private company group in the PRC. Based on the following circumstances and measures taken by our Group, we believe that the continuation of the Connected Guarantees after the Listing will not affect our ability to operate independently from our Controlling Shareholders and their respective close associates from financial perspectives:

(a) the Guaranteed Facilities do not account for a significant portion of our total borrowings. As of June 30, 2020, the aggregate balance of the Guaranteed Facilities was RMB672.5 million, representing approximately 17.99% of our Company's total borrowings;

(b) we have a robust financial position with our cash and cash equivalents amounting to approximately RMB595.9 million for the six months ended and as of June 30, 2020. We believe that we have sufficient working capital to independently settle the amount of the Guaranteed Facilities without obtaining financial assistance from our Controlling Shareholders or their close associates;

(c) we have a strong track record of obtaining independent financing and we have secured additional financing channels without security or guarantee by our Controlling Shareholders or their respective close associates. From January to June 2020, we obtained additional bank facilities in an aggregate amount of RMB910 million from several commercial banks on normal commercial terms without any security or guarantee from any of our Controlling Shareholders or their close associates. As of June 30, 2020, our independent bank facilities, including credit financing, loans and bank acceptance bills, was in an aggregate amount of approximately RMB3,795.0 million, among which an aggregate amount of approximately RMB1,942.7 million (including certain unutilized facilities amounting to approximately RMB1,094.7 million conditionally granted upon the pledge of deposits or bank acceptance bills) had not been utilized as of June 30, 2020. We believe that key financial institutions in China, where the operations of our Company are mainly carried out, recognize the stand-alone credit of our Company and are willing to grant credit lines without financial assistance from our Controlling Shareholders or their close associates following the Listing.

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates. Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our minority Shareholders. We will adopt the following corporate governance measures to manage any potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a Shareholders' meeting is held for considering any proposed transaction in which any of the Controlling Shareholders has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(b) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(c) any transaction between (or proposed to be made between) our Group and the connected persons shall comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;

(d) our independent non-executive Directors are independent of our Controlling Shareholders and are appointed in accordance with the requirements under the Listing Rules to ensure that decisions of the Board are made only after due consideration of independent and impartial opinions;

(e) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our other Shareholders;

(f) our Company has appointed China Galaxy International Securities (Hong Kong) Co., Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance; and

(g) we have established Audit Committee, Remuneration and Appraisal Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The majority of the members of the aforementioned committees are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect the minority Shareholders' rights after Listing.

BOARD OF DIRECTORS

The Board consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election. The following table sets forth certain information regarding the Directors.

Name	Age	Time of joining our Group	Date of appointment as a Director	Position	Roles and responsibilities
Mr. REN Jinsheng (任晉生)	57	March 1995	November 30, 2015	Executive Director, chairman of the Board and chief executive officer	Responsible for the overall corporate and business strategies, business operation and making significant business and operational decisions of our Group
Mr. ZHANG Cheng (張誠)	46	August 2019	November 19, 2019	Executive Director and chief operating officer	Responsible for the overall management of sales and marketing operations and the IT department of our Group
Mr. WAN Yushan (萬玉山)	49	May 2000	November 19, 2019	Executive Director and chief financial officer	Responsible for overseeing the financial and legal management and formulating financial strategies of our Group

Name	Age	Time of joining our Group	Date of appointment as a Director	Position	Roles and responsibilities
Mr. TANG Renhong (唐任宏)	40	May 2019	November 19, 2019	Executive Director and senior vice president	Responsible for the overall management of Shanghai R&D Center and management of the pre-clinical R&D of innovative pharmaceuticals of our Group
Mr. ZHAO John Huan (趙令歡)	57	November 2019	November 19, 2019	Non-executive Director	Providing strategic advice on corporate operation and development of our Group
Mr. SONG Ruilin (宋瑞霖)	57	November 2019	November 19, 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group
Mr. WANG Jianguo (汪建國)	60	November 2019	November 19, 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group
Mr. WANG Xinhua (王新華)	64	November 2019	November 19, 2019	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group

Executive Directors

Mr. REN Jinsheng (任晉生), aged 57, is our founder, an executive Director, the chairman of the Board and the chief executive officer of our Company. He is primarily responsible for the overall corporate and business strategies, business operation and making significant business and operational decisions of our Group.

With more than 30 years of industry experience, Mr. Ren has gained in-depth understanding of the pharmaceutical industry and acquired rich management experience. At the very beginning of our Group's operations, Mr. Ren became the general manager of Jiangsu Simcere at the time of its establishment in March 1995, and has subsequently been the chairman of the board and the chief executive officer of our Group. On November 19, 2019, Mr. Ren was officially appointed as the chairman of the Board, an executive Director and the chief executive officer of our Company. Mr. Ren also has been the chairman of the board of various subsidiaries within our Group, including but not limited to Jiangsu Simcere since April 2004, Hainan Simcere since April 2001, Simcere Pharmaceutical since February 2003 and Shandong Simcere since July 2009. Prior to the foundation of our Group, Mr. Ren served as the manager of the new special drugs business department of Jiangsu Pharmaceutical Industry Co., Ltd. (江蘇省醫藥工業有限公司) from November 1992 to March 1995. Prior to that, Mr. Ren worked at Qidong Pharmaceutical Factory ((啟東製藥廠), now known as Gaitianli Pharmaceutical Holding Group Pharmaceutical Co., Ltd. (蓋天力醫藥控股集團製藥股份有限公司)) from February 1982 to November 1992. In addition, Mr. Ren is currently the vice chairman of the Ninth Committee of Jiangsu Science and Technology Association (江蘇省科學技術協會第九屆委員會) and the president of the China Pharmaceutical Innovation Promotion Association (中國醫藥創新促進會) for the year from 2020 to 2021.

Mr. Ren graduated with a college diploma in traditional Chinese pharmacology from Nanjing University of Chinese Medicine (南京中醫藥大學) (formerly known as Nanjing College of Chinese Medicine (南京中醫學院)) in January 1982. He also graduated with a master's degree in business administration from Nanjing Normal University (南京師範大學) in December 1996. Mr. Ren was certified as a researcher (natural science series) and a senior economist by Jiangsu Human Resources and Social Security Department (江蘇省人力資源與社會保障廳) in January 2020 and November 2010, respectively.

Over the years, Mr. Ren has received many awards and accolades acknowledging his contributions and accomplishments in the pharmaceutical industry, examples of which are set out below:

Honor/Award	Awarding Body	Timing of granting the award
Top 10 leaders in China's pharmaceutical industry (中國醫藥行業十大領軍人物)	National Federation of Industry and Commerce Pharmaceutical Merchants Association (全國工商業聯合會醫藥商協會)	May 2016
First prize of the Science and Technology Award of Hainan Province (海南省科學技術一等獎)	The People's Government of Hainan Province (海南省人民政府)	December 2014; January 2005
Special Government Allowances (政府特殊津貼)	State Council (國務院)	March 2011
Jiangsu Innovation and Entrepreneurship Talent Award (江蘇創新創業人才獎)	Jiangsu Committee of the Communist Party of China (中共江蘇省委); The People's Government of Jiangsu Province (江蘇省人民政府)	June 2010
National Labor Medal (全國五一勞動獎章)	All-China Federation of Trade Unions (中華全國總工會)	April 2007
Second prize of National Science and Technology Progress Award (國家科學技術進步二等獎)	State Council (國務院)	November 2005

Mr. ZHANG Cheng (張誠), aged 46, is an executive Director and the chief operating officer of our Company. He is primarily responsible for the overall management of sales and marketing operations and the IT department of our Group.

Mr. Zhang has accumulated extensive experience in corporate operation and management with nearly 20 years of experience in both multinational and domestic pharmaceutical corporations. Mr. Zhang joined our Group in August 2019 and has acted as the chief operating officer of our Group since then. On November 19, 2019, Mr. Zhang was officially appointed as an executive Director and the chief operating officer of our Company. Prior to joining our Group, Mr. Zhang held various positions at MSD China from February 2001 to August 2019, with his last position there being the managing director and head of commercial operations.

Mr. Zhang graduated with a bachelor's degree in chemistry from Nanjing University in July 1995. He also graduated with an executive master of business administration degree from Nanjing University in June 2009.

Mr. WAN Yushan (萬玉山), aged 49, is an executive Director and the chief financial officer of our Company. He is primarily responsible for overseeing the financial and legal management and formulating financial strategies of our Group.

Mr. Wan has 20 years of experience with our Group where he has accumulated knowledge and skills required in overseeing the financial management of our Group. Mr. Wan joined our Group in May 2000 and has assumed various positions successively since then, including the financial controller, general manager of financial department, vice president and chief financial officer. On November 19, 2019, Mr. Wan was officially appointed as an executive Director and the chief financial officer of our Company. He has also been the director of several subsidiaries of our Company including, among others, Hainan Simcere since July 2011, Shandong Simcere since August 2017 and Simcere Pharmaceutical since July 2017.

Mr. Wan graduated with a bachelor's degree in biochemistry from Nanjing University (南京大學) in June 1992. He also graduated with a master's degree in management (majoring in accounting) from Nanjing University in June 1999. Mr. Wan was admitted as a non-practicing member of JiangSu Institute Certified Public Accountants (江蘇省註冊會計師協會) in November 2009.

Mr. TANG Renhong (唐任宏), aged 40, is an executive Director and the senior vice president of our Company. He is primarily responsible for the overall management of Shanghai R&D Center and management of the pre-clinical R&D of innovative pharmaceuticals of our Group.

Mr. Tang has nearly 11 years of experience in pharmaceutical research and management of pharmaceutical companies. Mr. Tang joined our Group acting as the vice president in May 2019. He was officially appointed as an executive Director and the vice president of our Company on November 19, 2019 and further appointed as the senior vice president of our Company on June 1, 2020. Prior to that, he served as the vice general manager of Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司) from September 2017 to May 2019. From September 2013 to August 2017, Mr. Tang worked as the associate director of China Innovation Center of Astrazeneca Investment (China) Co., Ltd. (阿斯利康投資(中國)有限公司). Before that, he worked at the Novo Nordisk Research Centre China (諾和諾德中國研究發展中心) from June 2009 to September 2013 with the last position there being the head of department. At the beginning of his career, he was a postdoctoral researcher at the University of California, San Francisco from April 2007 to May 2009.

Mr. Tang graduated with a bachelor's degree in biotechnology from Shanghai Jiao Tong University (上海交通大學) in July 2002. He also obtained a Ph.D. in molecular cell biology from Nanyang Technological University in April 2007.

Non-executive Director

Mr. ZHAO John Huan (趙令歡), aged 57, is a non-executive Director of our Company. He is primarily responsible for providing strategic advice on corporate operation and development of our Group.

Mr. Zhao joined our Group in November 2019 and has been one of our Directors since then. Mr. Zhao is currently the chairman of the board of directors and chief executive of Hony Capital and has gained rich knowledge of corporate management with senior management positions at a number of public companies including as an executive director and the chairman of the board of Goldstream Investment Limited (stock code: 1328.HK) (formerly known as International Elite Ltd.) since December 2018, director of ENN Ecological Holdings Co., Ltd. (新奧生態控股股份有限公司) (stock code: 600803.SH) since December 2017, a director of Shanghai Jin Jiang International Hotels Co., Ltd. (上海錦江國際酒店股份有限公司) (stock code: 600754.SH) since September 2015, the deputy chairman of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (stock code: 600649.SH) from June 2014 to March 2017, a non-executive director and the chairman of the board of Hospital Corporation of China Limited (stock code: 3869.HK) from February 2014 to June 2020, an executive director and the chairman of the board of Best Food Holding Company Limited (stock code: 1488.HK) (formerly known as Lee & Man Handbags Holding Limited) since August 2016, a director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司) (stock code: 1157.HK, 000157.SZ) since June 2015, a non-executive director of Lenovo Group Limited (stock code: 992.HK) since November 2011, and a director of China Glass Holdings Limited (stock code: 3300.HK) since January 2005. In addition, Mr. Zhao worked at Legend Holdings Limited (聯想控股有限公司) (subsequently listed on the Stock Exchange known as Legend Holdings Corporation, stock code: 3396.HK) as a vice president from January 2003 to December 2009, as a senior vice president from January 2010 to May 2010, as a director and a senior vice president from May 2010 to December 2011, as a director and an executive vice president from January 2012 to February 2014, as an executive director and an executive vice president from February 2014 to December 2019 and as a non-executive director since January 2020. Prior to that, Mr. Zhao was the advisor to the chief executive officer of Lenovo Group Limited from 2002 to 2003.

Mr. Zhao graduated with a bachelor's degree in science from Nanjing University in July 1984. He also obtained dual master's degrees of science from Northern Illinois University in the United States in May 1990 and December 1990, respectively, and a master of management degree from the J.L. Kellogg Graduate School of Management at Northwestern University in the United States in June 1996.

Independent Non-executive Directors

Mr. SONG Ruilin (宋瑞霖), aged 57, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Song has extensive experience in the pharmaceutical industry. Mr. Song joined our Group in November 2019. He has held positions in a number of public companies, including an independent non-executive director of Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (stock code: 2696.HK) since September 2019, an independent director of Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (stock code: 688321.SH) since June 2018, a non-executive director of Luye Pharma Group Ltd. (stock code: 2186.HK) since March 2017, an independent director of Boya Bio-pharmaceutical Group Co., Ltd. (博雅生物製藥集團股份有限公司) (stock code: 300294.SZ) since March 2017, an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (stock code: 002826.SZ) since August 2015, an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (stock code: 300158.SZ) since June 2015, an independent director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) (stock code: 300181.SZ) from July 2009 to January 2014 and an independent director of Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司) (stock code: 600998.SH) from November 2008 to November 2014. Mr. Song is also a proposed independent non-executive director of Mediwelcome Healthcare Service and Technology Inc. (麥迪衛康健康醫療服務科技有限公司) and Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司), which filed applications for listing on the Stock Exchange in May 2020 and September 2020, respectively.

Mr. Song is currently the president of PhIRDA (中國醫藥創新促進會) (formerly named as China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會)). Mr. Song also works as Director of Chinese Pharmaceutical Association (CPA) and a member of the Biotech Advisory Panel of the Stock Exchange among other important social positions.

Since 2007, Mr. Song has been dedicated to the research of China's pharmaceutical policies, especially the policies for pharmaceutical innovation. Prior to that, he worked in the Legislative Affairs Office of the State Council of China, mainly engaged in the legislative review and research of health and medicine for a number of years.

Mr. Song graduated with a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1985. He also graduated with a degree of master of business administration from China Europe International Business School (中歐國際商學院) in November 2004 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University (中國藥科大學) in December 2018.

Notwithstanding Mr. Song's aforementioned directorships in six listed companies and proposed directorships of two companies currently seeking listing, as advised and confirmed by Mr. Song, (i) none of his directorships in those listed companies would require his full time involvement and he has not participated in the daily operations thereof; (ii) with his background and experience, he is fully aware of the responsibilities and expected time involvements for an independent non-executive director; (iii) with his experience in taking on multiple corporate roles, he has not found difficulties in devoting his time to multiple companies and he is confident that he will be able to discharge his duties to our Company; (iv)

none of the abovementioned public companies that he has directorship with has questioned about his time devoted to such companies; and (v) his role in our Group is non-executive in nature and he will not be involved in the daily operations and management of our Group, thus his engagement as an independent non-executive Director will not require his full-time participation. Based on the foregoing, our Directors are of the view that the various positions currently held by Mr. Song will not result in Mr. Song having insufficient time to act as our independent non-executive Director or improperly discharging his fiduciary duties as an independent non-executive Director. Based on the foregoing, whilst acknowledging that Mr. Song may be occupied during specific periods due to his roles as directors (e.g. after financial year ends of the relevant listed companies for the preparation of financial statements) and his roles in the PhIRDA, CPA and the Biotech Advisory Panel of the Stock Exchange, having reviewed Mr. Song's attendance records at board meeting based on public filings of the relevant listed companies and based on Mr. Song's confirmation, the Joint Sponsors are not aware of any factors which would render Mr. Song incapable of discharging his duties as an independent non-executive Director of the Company.

Nevertheless, pursuant to the Corporate Governance Code, our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to us, and whether each Director is spending sufficient time in performing their responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, the reasons why such individual is considered to be independent by our Board and, if required under the Corporate Governance Code, explain why such individual who is considered to be over boarded would still be able to devote sufficient time to our Board.

Mr. WANG Jianguo (汪建國), aged 60, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Wang has almost 30 years of experience in corporate management. He joined our Group in November 2019, and meanwhile, he has been an independent non-executive director of Honma Golf Limited (stock code: 6858.HK) since September 2016. Mr. Wang also has been the chairman of the board of Five Star Holdings Group Co., Ltd. (五星控股集團有限公司) since February 2009. Before that, Mr. Wang was the vice president of the Asia-Pacific Region for Best Buy Co., Inc. (stock code: BBY.NY), an American multinational consumer electronics corporation. He founded Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司) in 1998 and was its president and the chairman of the board until February 2009. From 1992 to 1998, Mr. Wang held various positions at Jiangsu Wujiaohua Corporation (江蘇五交化總公司) with his last position there being the general manager.

Mr. Wang is currently the vice chairman of Jiangsu General Chamber of Commerce (江蘇省總商會) and was awarded the Service Industry Professional Special Contribution Award (服務業專業人才特別貢獻獎) by Jiangsu Provincial People's Government in October 2014. Mr. Wang was granted the Outstanding Achievement Award (傑出成就獎) by the China Chain Store & Franchise Association (中國連鎖經營協會) in November 2012. He was elected as the Model Worker of the National Business System (全國商務系統勞動模範) by the Ministry of Personnel and the Ministry of Commerce of the PRC in 2007. Mr. Wang has been the sponsor of Hupan University (湖畔大學) since September 2015.

Mr. Wang graduated from the Australian National University, in July 2004 with a degree of executive master of business administration. He also completed the program of doctor of business administration from Shanghai Jiao Tong University in July 2018.

Mr. WANG Xinhua (王新華), aged 64, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Wang has almost 45 years of experience in accounting and financial management. Mr. Wang joined our Group in November 2019. He has been an independent non-executive director of China Tobacco International (HK) Company Limited (stock code: 6055.HK) since December 2018, an independent director of China Petroleum Engineering Corporation (中國石油集團工程股份有限公司) (stock code: 600339.SH) since September 2017 and an independent director of Xinjiang Zhongtai Chemical Co., Ltd. (新疆中泰化學股份有限公司) (stock code: 002092.SZ) since January 2017. In addition, Mr. Wang served as an independent director of Guizhou Yibai Pharmaceutical Co., Ltd. (貴州益佰製藥股份有限公司) (stock code: 600594.SH) from September 2016 to September 2019 and Guizhou Jiulian Industrial Explosive Material Development Co., Ltd. (貴州久聯民爆器材發展股份有限公司) (stock code: 002037.SZ) (now renamed as Poly Union Chemical Holding Group Co., Ltd. (保利聯合化工控股集團股份有限公司)) from March 2016 to December 2019. Prior to that, Mr. Wang served as the chief financial officer of China Petroleum & Chemical Corporation (中國石油化工股份有限公司) (stock code: 386.HK and 600028.SH) from May 2009 to December 2015. From November 2004 to April 2009, he served as a director of the financial planning department of China Petrochemical Corporation (中國石化集團公司).

Mr. Wang graduated from Northeastern University (東北大學) in July 1996 after completing his undergraduate course in management engineering through long distance learning. He was as a senior accountant at professor level (教授級高級會計師) granted by Sinopec Group in January 2004.

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management of our Company.

Name	Age	Time of joining our Group	Date of appointment as a senior management member	Position	Roles and responsibilities
Mr. REN Jinsheng (任晉生)	57	March 1995	November 19, 2019	Chief executive officer, executive Director and chairman of the Board	Responsible for the overall corporate business strategies, business operation and making significant business and operational decisions of our Group
Mr. ZHANG Cheng (張誠)	46	August 2019	November 19, 2019	Chief operating officer and executive Director	Responsible for the overall management of sales marketing business of our Group and the IT department of our Group
Mr. WAN Yushan (萬玉山)	49	May 2000	November 19, 2019	Chief financial officer and executive Director	Responsible for overseeing the financial and legal management and formulating financial strategies of our Group

Name	Age	Time of joining our Group	Date of appointment as a senior management member	Position	Roles and responsibilities
Mr. TANG Renhong (唐任宏)	40	May 2019	November 19, 2019	Senior Vice president and Executive Director	Responsible for the overall management of Shanghai R&D Center and management of the pre-clinical R&D of innovative pharmaceuticals of our Group
Mr. WANG Pin (王品)	45	September 2019	November 19, 2019	Chief science officer	Responsible for the R&D of cell therapy business of our Group and the management of Boston R&D center
Mr. WANG Peng (王鹏)	60	July 2019	November 19, 2019	Senior vice president	Responsible for the innovative pharmaceuticals R&D of central nervous system disease of our Group and the management of the national key laboratory
Mr. CHENG Xianghua (程向華)	43	June 2000	November 19, 2019	vice president	Responsible for the management of human resources, staff training and procurement of our Group

Name	Age	Time of joining our Group	Date of appointment as a senior management member	Position	Roles and responsibilities
Mr. QIAN Haibo (錢海波)	57	November 1994	November 19, 2019	vice president	Responsible for the investment business department and generic pharmaceutical projects initiation of our Group and business development in Hong Kong of our Company

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

For biographical details of **Mr. REN Jinsheng (任晉生)**, **Mr. ZHANG Cheng (張誠)**, **Mr. WAN Yushan (萬玉山)** and **Mr. TANG Renhong (唐任宏)**, see "– Board of Directors – Executive Directors" for their detailed background.

Mr. WANG Pin (王品), aged 45, is the chief science officer of our Company. He is primarily responsible for the R&D of cell therapy business of our Group and the management of Boston R&D center.

Mr. Wang has almost 15 years of experience in pharmaceutical research. Mr. Wang joined our Group in September 2019 and has acted as the chief science officer of our Group since then. On November 19, 2019, he was officially appointed as the chief science officer of our Company. Prior to that, Mr. Wang worked at the University of Southern California since January 2005 and was an associate professor from November 2013 to March 2015. He has been a professor of the materials science and chemical engineering and biomedical engineering department of the University of Southern California since March 2015 and also has been the Zohrab A. Kaprielian Fellow in materials science and chemical engineering at the University of Southern California. As Mr. Wang would like to fully devote himself to serving as our chief science officer, he now works at our Company on a full-time basis and the University of Southern California has retained his position there with salary suspended.

Mr. Wang graduated with a bachelor's degree in macromolecular physics from the University of Science and Technology of China (中國科學技術大學) in July 1997. He also obtained a Ph.D in chemical engineering from California Institute of Technology in June 2004.

Mr. WANG Peng (王鵬), aged 60, is a senior vice president of our Company. He is primarily responsible for the innovative pharmaceuticals R&D of central nervous system disease of our Group and the management of the national key laboratory.

Mr. Wang joined our Group since July 2019 and has acted as the senior vice president of our Group since then. On November 19, 2019, he was officially appointed as the senior vice president of our Company. Prior to that, Mr. Wang was the chief science officer of our Group from May 2009 to May 2013. He assumed several positions within the group of Yabao Pharmaceutical Group Co., Ltd. (亞寶藥業集團股份有限公司) (stock code: 600351.SH), including as the vice general manager, president of R&D and chief science officer, successively, of Yabao Pharmaceutical Group Co., Ltd. from May 2013 to July 2019 and as the general manager of Suzhou Yabao Drug Development Co., Ltd. (蘇州亞寶藥物研發有限公司) from April 2014 to July 2019. Mr. Wang also worked as the vice president of Wuxi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司) from April 2008 to May 2009. Before that, Mr. Wang acted as a research fellow of Schering-Plough Corporation (subsequently merged into Merck & Co., Inc. (stock code: MRK.NY)) from February 1990 to April 2008.

Mr. Wang obtained a doctoral degree in pharmaceutical life-science in March 1990 from the University of Tokyo in Japan.

Mr. CHENG Xianghua (程向華), aged 43, is a vice president of our Company. He is primarily responsible for the management of human resources, staff training and procurement of our Group.

Mr. Cheng has almost 20 years of experience with our Group where he gained rich experience in the management of the pharmaceutical industry. Mr. Cheng joined our Group in June 2000 and has held various positions within our Group since then, including the sales representative, manager, business director, general manager of business department, president assistant, and vice president, successively. Mr. Cheng has also been the chairman of the board of Simcere Europe since June 2019, a director of Wuhu Simcere since July 2017, a director of Shanghai Simcere since January 2017, a director of Simcere Pharmaceutical since April 2020 and a director of Hainan Simcere since May 2020. In addition, Mr. Cheng served as a director of Xuancheng Menovo from July 2019 to September 2020.

Mr. Cheng graduated with a college diploma in pharmaceutical marketing from Anhui University of Chinese Medicine (安徽中醫藥大學) in July 1999.

Mr. QIAN Haibo (錢海波), aged 57, is a vice president of our Company. He is primarily responsible for the investment business department and generic pharmaceutical projects initiation of our Group and the business development in Hong Kong of our Company.

Mr. Qian has held senior management positions for almost 25 years within our Group. Mr. Qian joined our Group in November 1994 and served successively as a department manager, director and assistant to general manager until May 2005. In December 2005, he became the secretary to the board of our Group and served in this position during the period when we listed on the NYSE. He successively served as the general manager and a director of our Company from October 2018 to November 2019. He has been a vice president of our Group since January 2013, and was officially appointed as the vice president of our Company on November 19, 2019. In addition, he also has been the director of Jiangsu Simcere since February 2011. Mr. Qian has held directorships in several other companies, including Nanjing Bioheng Biotech Co., Ltd. (南京北恒生物科技有限公司) since June 2018, Beijing Yude Future Holdings Co., Ltd. (北京玉德未來控股有限公司) since November 2015 and Hainan BioSciKin since September 2014.

Mr. Qian graduated with a bachelor's degree in law from Nanjing Normal University in June 1986. He obtained a degree of master of business administration from Nanjing University in December 2002 and a doctoral degree in social and administrative pharmacy from China Pharmaceutical University in June 2007. Mr. Qian was certified as a senior economist at researcher level by Nanjing Office of Work Title (Professional Qualification) Work Leading Group (南京市職稱(職業資格)工作領導小組辦公室) in September 2008.

JOINT COMPANY SECRETARIES

Mr. BAO Jun (鮑軍), aged 38, was appointed as one of the joint company secretaries of our Company on May 13, 2020, which took effect on June 10, 2020.

Mr. Bao has almost 14 years of experience with our Group. He joined our Group in July 2004 and held several positions successively within our Group, including as a project engineer of biomedicine department from July 2004 to July 2005, the business development manager from July 2007 to May 2009, the product manager from May 2009 to January 2011, the district manager and regional manager from January 2011 to July 2017, the sales director form July 2017 to May 2019 and the executive director of strategic development since May 2019. In June 2020, Mr. Bao was further appointed as the secretary to the Board of our Company.

Mr. Bao graduated with a bachelor's degree in biotechnology from Anhui Medical University (安徽醫科大學) in June 2004. He also obtained a degree of master of business administration from Nanjing University in March 2013.

Ms. FENG Jie (馮潔), aged 34, was appointed as one of the joint company secretaries of our Company on May 13, 2020, which took effect on June 10, 2020.

Ms. Feng joined our Group in July 2010 and served as an assistant of board affairs to the board office from July 2010 to March 2014. After that, Ms. Feng successively worked as a project manager of the business development department and the senior project manager from March 2014 to May 2019 and has been a securities affairs representative of our Group since May 2019.

Ms. Feng was admitted as the associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom in November 2018. She graduated with a bachelor's degree in engineering from the National Life Science and Technology Talent Training Base (國家生命科學與技術人才培養基地) and a master's degree in social and administrative pharmacy from China Pharmaceutical University in July 2008 and June 2010, respectively. She also obtained a master of corporate governance degree from the Open University of Hong Kong (香港公開大學) in August 2018.

Ms. MAK Po Man Cherie (麥寶文) was appointed as one of the joint company secretaries of our Company on September 17, 2020, which took effect on the same day.

Ms. Mak is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 15 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. Mak obtained a Master of Corporate Governance degree from The Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003 and a fellow member of the Association of Chartered Certified Accountants in 2006.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Our Company currently has four special committees under the Board, which are the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy Committee. These committees operate in accordance with their respective terms of reference established by the Board.

Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee consists of three Directors, being Mr. WANG Xinhua, Mr. SONG Ruilin and Mr. WANG Jianguo. The chairperson of the Audit Committee is Mr. WANG Xinhua, who is the independent non-executive Director with the appropriate accounting and related financial management expertise. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, provide advice and comments to our Board, perform other duties and responsibilities as may be assigned by our Board and review and oversee the risk management of our Company.

Remuneration and Appraisal Committee

Our Company has established a Remuneration and Appraisal Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Remuneration and Appraisal Committee consists of three Directors, being Mr. WANG Jianguo, Mr. WANG Xinhua and Mr. REN Jinsheng. The chairperson of the Remuneration and Appraisal Committee is Mr. WANG Jianguo. The primary duties of the Remuneration and Appraisal Committee are to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

Nomination Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Nomination Committee consists of three Directors, being Mr. SONG Ruilin, Mr. WANG Jianguo and Mr. REN Jinsheng. The chairperson of the Nomination Committee is Mr. SONG Ruilin. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board and senior management on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board and senior management, identify, select or make recommendations to our Board on the selection of individuals nominated for directorship and senior management members, ensure the diversity of our Board and senior management members, assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and senior management members and succession planning for our Directors and senior management members.

Strategy Committee

Our Company has established a Strategy Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Strategy Committee consists of three Directors, being Mr. REN Jinsheng, Mr. ZHAO John Huan and Mr. WANG Jianguo. The chairperson of the Strategy Committee is Mr. REN Jinsheng. The primary duties of the Strategy Committee are to review and make suggestions in respect of the strategic directions, development proposals, annual operation plans, investment proposals, major investments, financing and capital injection, expansion of business and any major reorganization or restructuring proposal of our Company.

CORPORATE GOVERNANCE

Pursuant to code provision A.2.1 in the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Ren is the founder of our Group, the chairman of the Board and the chief executive officer of our Company. He has been primarily responsible for developing overall corporate business strategies and business operation of our Group and making significant business and operational decisions of our Group. Our Directors consider that vesting the roles of both the chairman of the Board and the chief executive officer of our Company in Mr. Ren is beneficial to the business prospects of our Group by ensuring consistent leadership to our Group as well as prompt and effective decision making and implementation. In addition, our Directors believe that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) any decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Mr. Ren and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of four executive Directors (including Mr. Ren), one non-executive Director and three independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels.

DIRECTORS' INTERESTS

Except as disclosed in this prospectus, each of the Directors and members of the senior management (i) had no other relationship with any of the Directors and senior management as of the Latest Practicable Date; (ii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. For the Directors' interests in the Shares within the meaning of Part XV of the SFO, see "Appendix V – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 1. Disclosure of interest – (a) Disclosure of interest of Directors and chief executive of our Company."

Save as disclosed in this prospectus, there are no other matters in respect of each of our Directors and the members of our senior management that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to our Directors and the members of our senior management that need to be brought to the attention of our Shareholders.

BOARD DIVERSITY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. The selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, business operation, accounting and financial management, pharmaceutical research and development. They obtained degrees in various majors, including in economics, business administration, law, accounting and pharmacy. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the Board. In addition, our Board has a wide range of age, ranging from 40 years old to 64 years old. While we recognize that the gender diversity at the Board level can be improved given its current composition of all-male directors, we have taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. Going forward, our Company will consider the possibility of nominating female senior management to the Board or appointing a female independent non-executive Director who has the necessary skills and experience. In particular, we plan to appoint a female Director by the end of 2022 and target to achieve 20% female representation in the Board within five years following the Listing, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when deliberating on the appointment. To develop a pipeline of potential female successors to the Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

PRE-IPO SHARE INCENTIVE SCHEME

For the details of our Pre-IPO Share Incentive Scheme, please see "Appendix V – Statutory and General Information – D. Pre-IPO Share Incentive Scheme."

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The compensation and remuneration of the Directors and members of the senior management of our Company are determined by the Shareholders' meetings and the Board as appropriate, including but not limited to salaries and bonuses. Our Company also reimburse them for expenses which are necessary and reasonably incurred in providing services to our Company or discharging their duties in relation to the operations of our Company. When reviewing and determining the specific remuneration packages for our Directors and members of the senior management, the Shareholders' meetings and the Board take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, our Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of our Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

Our Company offers executive Directors and senior management members, who are also employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors receive compensation based on their responsibilities.

The aggregate amounts of remuneration of the Directors and members of the senior management (excluding those who are also Directors) recorded for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were approximately RMB11.65 million, RMB6.44 million, RMB23.11 million and RMB23.03 million, respectively.

The aggregate amounts of remuneration of the five individuals with the highest emoluments for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were approximately RMB19.06 million, RMB13.70 million, RMB19.29 million and RMB17.33 million, respectively.

It is estimated that remuneration equivalent to approximately RMB21.33 million in aggregate will be paid to the Directors by our Company for the year ending December 31, 2020 based on the arrangements in force as of the date of this prospectus.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office in respect of the three years ended December 31, 2017, 2018 and 2019. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the same periods.

COMPLIANCE ADVISER

We have appointed China Galaxy International Securities (Hong Kong) Co., Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters under Rule 13.10 of the Listing Rules.

The terms of the appointment of the compliance adviser will commence on the Listing Date and is expected to end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the Listing Date.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have or be deemed or taken to have an interest and/or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange 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 any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	*Percentage*	*Number*	*Percentage*
Mr. Ren[(1)]	Interest in controlled corporations/Interest of concert parties	2,035,922,965	86.82%	2,035,922,965	78.13%
Mr. Ren Yong[(1)(2)]	Interest in controlled corporations/Interest of concert parties/Founder of a discretionary trust	2,035,922,965	86.82%	2,035,922,965	78.13%
Ms. Li Shimeng[(1)(2)(3)]	Interest in controlled corporations/Interest of concert parties/Interest of spouse	2,035,922,965	86.82%	2,035,922,965	78.13%
P&H Holdings[(1)(2)]	Interest in controlled corporations/Interest of concert parties	2,035,922,965	86.82%	2,035,922,965	78.13%
Mr. Ren Weidong[(1)(3)]	Interest in controlled corporations/Interest of concert parties	2,035,922,965	86.82%	2,035,922,965	78.13%
Right Wealth[(1)(3)]	Interest in controlled corporations/Interest of concert parties	2,035,922,965	86.82%	2,035,922,965	78.13%
Ms. Ren Zhen[(1)(4)]	Interest in controlled corporations/Interest of concert parties	2,035,922,965	86.82%	2,035,922,965	78.13%

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	*Percentage*	*Number*	*Percentage*
Ms. Peng Suqin[(1)(5)]	Interest in controlled corporations/Interest of concert parties	2,035,922,965	86.82%	2,035,922,965	78.13%
Artking[(6)]	Beneficial interest	606,810,031	25.88%	606,810,031	23.29%
	Interest in controlled corporations	1,196,009,986	51.00%	1,196,009,986	45.90%
	Interest of concert parties	233,102,948	9.94%	233,102,948	8.95%
Simcere Holding[(7)]	Interest in controlled corporations	1,196,009,986	51.00%	1,196,009,986	45.90%
	Interest of concert parties	839,912,979	35.82%	839,912,979	32.23%
Simcere Investments[(8)]	Interest in controlled corporations	1,196,009,986	51.00%	1,196,009,986	45.90%
	Interest of concert parties	839,912,979	35.82%	839,912,979	32.23%
SPHL[(9)]	Beneficial interest	1,196,009,986	51.00%	1,196,009,986	45.90%
	Interest of concert parties	839,912,979	35.82%	839,912,979	32.23%
EGG[(1)(10)]	Beneficial interest	112,141,578	4.78%	112,141,578	4.30%
	Interest in controlled corporation	120,961,370	5.16%	120,961,370	4.64%
	Interest of concert parties	1,802,820,017	76.88%	1,802,820,017	69.19%
FFI[(11)]	Beneficial interest	120,961,370	5.16%	120,961,370	4.64%
	Interest of concert parties	1,914,961,595	81.66%	1,914,961,595	73.49%

Notes:

(1) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Ultimate Controlling Shareholders will collectively and indirectly hold 2,035,922,965 Shares, including (i) 606,810,031 Shares and 1,196,009,986 Shares directly held by Artking and SPHL, respectively, both of which are companies controlled by our Ultimate Controlling Shareholders; and (ii) 112,141,578 Shares and 120,961,370 Shares directly held by EGG and FFI, respectively, both of which are companies controlled by Mr. Ren. As our Ultimate Controlling Shareholders are deemed to be persons acting in concert under the Takeovers Code, each of them is deemed to be interested in the Shares held by each other by virtue of the SFO.

(2) Mr. Ren Yong, son of Mr. Ren and spouse of Ms. Li Shimeng, is the settlor of the P&H Family Trust, which holds the entire equity interest in P&H Holdings. Mr. Ren Yong, Ms. Li Shimeng and P&H Holdings are our Ultimate Controlling Shareholders and are deemed to be interested in the Shares collectively held by our Ultimate Controlling Shareholders.

(3) Mr. Ren Weidong is the brother of Mr. Ren and holds the entire equity interest in Right Wealth. Mr. Ren Weidong and Right Wealth are our Ultimate Controlling Shareholders and are deemed to be interested in the Shares collectively held by our Ultimate Controlling Shareholders.

(4) Ms. Ren Zhen is the sister of Mr. Ren. She is one of our Ultimate Controlling Shareholders and is deemed to be interested in the Shares collectively held by our Ultimate Controlling Shareholders.

(5) Ms. Peng Suqin is the mother of Mr. Ren Yong. She is one of our Ultimate Controlling Shareholders and is deemed to be interested in the Shares collectively held by our Ultimate Controlling Shareholders.

(6) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Artking will directly hold 606,810,031 Shares and indirectly hold 1,429,112,934 Shares, including (i) 1,196,009,986 Shares directly held by SPHL, a controlled corporation of Artking, and (ii) an aggregate of 233,102,948 Shares directly held by EGG and FFI, both of which are companies controlled by Mr. Ren and are deemed to be acting in concert with Artking under the Takeovers Code. Therefore, Artking is deemed to be interested in the Shares held by SPHL, EGG and FFI by virtue of the SFO.

(7) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Simcere Holding will indirectly hold 2,035,922,965 Shares, including (i) 1,196,009,986 Shares directly held by SPHL, a controlled corporation of Simcere Holding, and (ii) an aggregate of 839,912,979 Shares, which comprises of 606,810,031 Shares directly held by Artking, a company controlled by our Ultimate Controlling Shareholders, and 233,102,948 Shares directly held by EGG and FFI, both of which are companies controlled by Mr. Ren. Artking, EGG and FFI are deemed to be acting in concert with Simcere Holding under the Takeovers Code. Therefore, Simcere Holding is deemed to be interested in the Shares held by SPHL, Artking, EGG and FFI by virtue of the SFO.

(8) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Simcere Investments will indirectly hold 2,035,922,965 Shares, including (i) 1,196,009,986 Shares directly held by SPHL, a controlled corporation of Simcere Investments, and (ii) an aggregate of 839,912,979 Shares, which comprises of 606,810,031 Shares directly held by Artking, a company controlled by our Ultimate Controlling Shareholders, and 233,102,948 Shares directly held by EGG and FFI, both of which are companies controlled by Mr. Ren. Artking, EGG and FFI are deemed to be acting in concert with Simcere Investments under the Takeovers Code. Therefore, Simcere Investments is deemed to be interested in the Shares held by SPHL, Artking, EGG and FFI by virtue of the SFO.

(9) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), SPHL will directly hold 1,196,009,986 Shares and indirectly hold an aggregate of 839,912,979 Shares, including 606,810,031 Shares directly held by Artking, a company controlled by our Ultimate Controlling Shareholders, and an aggregate of 233,102,948 Shares directly held by EGG and FFI, both of which are companies controlled by Mr. Ren. Artking, EGG and FFI are deemed to be acting in concert with SPHL under the Takeovers Code. Therefore, SPHL is deemed to be interested in the Shares held by Artking, EGG and FFI by virtue of the SFO.

(10) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), EGG will directly hold 112,141,578 Shares and indirectly hold 1,923,781,387 Shares, including (i) 120,961,370 Shares directly held by FFI, a controlled corporation of EGG and ultimately controlled by Mr. Ren, and (ii) an aggregate of 1,802,820,017 Shares directly held by SPHL and Artking, both of which are deemed to be acting in concert with EGG under the Takeovers Code. Therefore, EGG is deemed to be interested in the Shares held by FFI, SPHL and Artking by virtue of the SFO.

(11) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), FFI will directly hold 120,961,370 Shares and indirectly hold an aggregate of 1,914,961,595 Shares directly held by SPHL, Artking and EGG, all of which are deemed to be acting in concert with FFI under the Takeovers Code. Therefore, FFI is deemed to be interested in the Shares held by SPHL, Artking and EGG by virtue of the SFO.

Save as disclosed above and in "Appendix V – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders," our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The number of Shares of our Company as of the date of this prospectus and immediately after completion of the Global Offering is as follows:

	Number of Shares
Number of Shares:	
Ordinary Shares as of the date of this prospectus	2,345,117,618
Shares to be issued:	
Ordinary Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	260,569,000
Shares on completion of the Global Offering (assuming the Over-allotment Option is not exercised)	2,605,686,618
Shares to be issued:	
Ordinary Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is exercised in full)	299,654,000
Shares on completion of the Global Offering (assuming the Over-allotment Option is exercised in full)	2,644,771,618

ASSUMPTION

The table above assumes the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (i) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (ii) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

PRE-IPO SHARE INCENTIVE SCHEME

For more detail, please see "Appendix V – Statutory and General Information – D. Pre-IPO Share Incentive Scheme."

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate (the "**Issuing Mandate**") to allot, issue and deal in a total number of Shares of not more than the aggregate of:

i. 20% of the total number of Shares in issue immediately following the completion of the Global Offering, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option; and

ii. the total number of the Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or under the Global Offering or upon the exercise of the Over-allotment Option. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in Shares pursuant to a rights issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or the Companies Ordinance to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of this general mandate, see "Appendix V – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of our Shareholders passed on October 8, 2020."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate (the "**Repurchase Mandate**") to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue and to be issued immediately following the completion of the Global Offering, but excluding any Shares that may be issued upon the exercise of the Over-allotment Option.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules and all applicable laws. A summary of the relevant requirements under the Listing Rules is set out in "Appendix V – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 6. Repurchase of Shares by our Company."

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or the Companies Ordinance to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of this general mandate, see "Appendix V – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of our Shareholders passed on October 8, 2020."

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Companies Ordinance and the Articles of Association, our Company may from time to time by ordinary Shareholders' resolution (i) increase its capital; (ii) consolidate and divide Shares; (iii) divide its Shares into classes; (iv) subdivide its Shares; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by Shareholders' special resolution. For details, see "Appendix IV – Summary of Articles of Association – Changes in Capital."

Further, all or any of the special rights (unless otherwise provided by the terms of issue) attached to our Shares or any class of Shares may be varied or abrogated either with the consent in writing of the holders of not less than 75% of the total voting rights of the holders of the Shares or Shares of that class, or with the sanction of a special resolution passed at a general meeting of the holders of the Shares or at a separate general meeting of the holders of the Shares of that class. For details, see "Appendix IV – Summary of Articles of Association – Modification of Rights."

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 included in the Accountants' Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRSs.

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 prospectus.

OVERVIEW

We are a company engaged in the R&D, production and commercialization of pharmaceuticals and currently are primarily focused on generic pharmaceuticals. We have a diversified product portfolio in our strategically focused therapeutic areas, including, (i) oncology (including cell therapy), (ii) central nervous system diseases and (iii) autoimmune diseases.

During the Track Record Period, we generated revenue primarily from sales of our pharmaceutical products that we manufactured in-house. To a lesser extent, we also generated revenue from sales of third-party pharmaceutical products and provision of promotion services to other pharmaceutical companies.

We have been recognized as one of the "Top 10 Innovative Pharmaceutical Enterprises in China (中國創新力醫藥企業十強)" from 2014 to 2019 and as one of the "Top 100 Pharmaceutical Manufacturing Enterprises of China (中國製藥工業百強)" from 2009 to 2018. Our revenue increased from RMB3,867.9 million in 2017 to RMB5,036.7 million in 2019, representing a CAGR of 14.1%. Our revenue decreased by 20.2% from RMB2,414.0 million for the six months ended June 30, 2019 to RMB1,925.4 million for the six months ended June 30, 2020. Our net profit increased from RMB350.4 million in 2017 to RMB1,003.6 million in 2019, representing a CAGR of 69.2% Our net profit decreased by 59.9% from RMB461.0 million for the six months ended June 30, 2019 to RMB184.8 million for the six months ended June 30, 2020.

BASIS OF PRESENTATION

Our Company was incorporated in Hong Kong on November 30, 2015 as a limited liability company. As part of the Reorganization, the details of which are disclosed in "History, Reorganization and Corporate Structure – Reorganization," our Company acquired the entire equity interest in Simcere Pharmaceutical and Hainan Simcere in June and September 2017, respectively. The Reorganization only involved inserting a newly formed entity with no substantive operations. Accordingly, the Reorganization has been accounted for using a principle similar to that for a reverse acquisition, with Simcere Pharmaceutical and Hainan Simcere treated as the acquirer for accounting purposes. Our consolidated financial information has been prepared and presented as a continuation of the financial statements of Simcere Pharmaceutical and Hainan Simcere with the assets and liabilities of Simcere Pharmaceutical and Hainan Simcere recognized and measured at their historical carrying amounts prior to the Reorganization.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the Track Record Period include the results of operations of the companies now comprising the Group (or where the companies were incorporated or established at a date later than January 1, 2017, for the period from the date of incorporation or establishment to June 30, 2020) as if the current group structure had been in existence throughout the Track Record Period. Our consolidated statements of financial position as of December 31, 2017, 2018 and 2019 and June 30, 2020 have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence at the respective dates. All intra-group balances, transactions and unrealized gains/losses on intra-group transactions have been eliminated on consolidation.

Our consolidated financial information has been prepared in accordance with HKFRSs, which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the HKICPA.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the following are key factors that affect our results of operations:

The growth of the PRC pharmaceutical market, and in particular, the therapeutic areas we focus on

We believe that the overall growth of the PRC pharmaceutical market, and in particular, the therapeutic areas we focus on, has significantly, and will continue to significantly impact, our revenue growth. Our broad and diversified product portfolio spans across oncology, central nervous system diseases, autoimmune diseases, cardiovascular diseases, anti-infective and other therapeutic areas, many of which are among the largest or fastest growing therapeutic areas in China. The three therapeutic areas we strategically focus on, namely, oncology, central nervous system diseases and autoimmune diseases accounted for an aggregate of 69.9%,

66.9%, 65.9% and 65.1% of our total revenue in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Together, these therapeutic areas accounted for 24.7% of total PRC pharmaceutical market in terms of sales revenue of pharmaceuticals in 2019, and grew faster than the overall PRC pharmaceutical market, which grew at a CAGR of 7.5% from 2015 to 2019. Specifically, oncology, central nervous system diseases and autoimmune diseases grew at a CAGR of 13.5%, 9.1% and 13.4%, respectively, from 2015 to 2019. In line with the growth of these therapeutic areas, our revenue increased from RMB3,867.9 million in 2017 to RMB5,036.7 million in 2019, representing a CAGR of 14.1%.

The continued economic growth, increasing healthcare expenditure, expanding medical insurance coverage and aging population have driven, and are expected to continue to drive, the rapid growth of the PRC pharmaceutical market. According to Frost & Sullivan, the overall PRC pharmaceutical market is expected to continue to grow at a CAGR of 6.8% from RMB1,714.7 billion in 2020 to RMB2,228.8 billion in 2024, while the oncology, central nervous system diseases and autoimmune diseases are expected to grow further at a CAGR of 15.4%, 4.6% and 27.2%, respectively, from 2020 to 2024. Please see "Industry Overview" for more details. We believe we are well positioned to capitalize on the continued growth of the overall PRC pharmaceutical market and some of its largest or fastest growing therapeutic areas which we strategically focus on.

Our ability to compete in the centralized tender process for pharmaceutical procurement by public medical institutions in China

A substantial portion of the products we sell to distributors are then sold to public hospitals and other public medical institutions in China. Public medical institutions in China are required to implement a centralized tender process for the procurement of pharmaceuticals listed in the medical insurance catalogs or consumed in large volumes and commonly prescribed for clinical uses. We submit bids in a centralized tender process to supply our products to these institutions at specified prices. These bids are generally considered on the basis of, among other things, price competitiveness, product quality, clinical effectiveness, as well as qualifications and reputation of the manufacturer. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public medical institutions at the bid prices, which in part determine the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. Our bidding strategy generally focuses on differentiating our products from those of our competitors instead of competing solely based on pricing. Therefore, our sales volumes and profitability depend on our ability to successfully differentiate our products from competing products and price our bids in a manner that enables us to succeed in the centralized tender processes at profitable levels. We believe each of our major products had competitive advantages in the centralized tender processes during the Track Record Period as a result of them being innovative or first-to-market generic pharmaceuticals, their national-level recognitions, or their passing of the quality and efficacy consistency evaluation. Please see "Business – Pricing – Centralized Tender Process."

If we are unable to differentiate our products or are otherwise not successful in winning bids in the centralized tender processes at profitable levels, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant public medical institutions. Please see "Risk Factors – Risks Relating to Our Business and Industry – If we are unable to succeed in tender processes to sell our products to PRC public hospitals and other medical institutions, we may lose market share and our revenue and profitability could be materially and adversely affected." In November 2018, the PRC government launched the national scheme for centralized volume-based drug procurement. The implementation of this program has resulted in increased pricing pressure on us and may further impact our strategies on how to commercialize our products in China and how to best compete in the centralized tender processes. Please see "Risk Factors – Risks Relating to Our Business and Industry – The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease, which could materially and adversely affect our profitability."

The inclusion of our product in the national, provincial or other government-sponsored medical insurance programs in China

Under the medical insurance programs in China, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in the NRDL, the provincial medical insurance catalogs or critical illness medical insurance catalogs at provincial-or local-levels. Consequently, the inclusion or exclusion of a pharmaceutical product in or from any of these medical insurance programs will significantly affect the demand for such product in China. Please see "Risk Factors – Risks Relating to Our Business and Industry – If our products are excluded or removed from national, provincial or other government-sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be materially and adversely affected."

As of the Latest Practicable Date, eight of our major products were included in the NRDL; our revenue from sales of these eight products accounted for 50.0%, 53.6%, 60.9% and 66.7% of our total revenue, respectively, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

While the inclusion of a pharmaceutical product in these national, provincial or other government-sponsored medical insurance programs can significantly increase the demand and potentially sales volume, pharmaceuticals so included were subject to relevant pricing regulation and face pricing pressure in the centralized tender process. In addition, innovative pharmaceuticals included in the national medical insurance negotiation list generally need to undergo pricing negotiation process with the PRC government. For example, Endostar (recombinant human endostatin injection) has entered into the NRDL through pricing negotiation, which resulted in a decrease of its retail price across the country. See "Risk Factors – Risks Relating to Our Business and Industry – The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease, which could materially and adversely affect our profitability."

On balance, we believe the overall benefits of inclusion of our pharmaceutical products in the national, provincial or other government-sponsored medical insurance programs in China significantly outweighed the associated costs during the Track Record Period, and we believe the benefits of such inclusion will continue to contribute to our business growth in the foreseeable future.

Our ability to develop and commercialize new products

Our ability to develop and commercialize new products, replenish our product pipeline with additional product candidates, innovative and first-to-market generic pharmaceuticals in particular, and further diversify our product portfolio has had, and will continue to have, a significant impact our results of operations and business prospects.

We have a proven track record in developing and commercializing pharmaceuticals that have gained widespread market acceptance in China. Please see "Business – Our Product Portfolio – Our Product Pipeline" for more details. We believe innovative pharmaceuticals and first-to-market generic pharmaceuticals generally command higher profit margins and enable rapid market penetration.

Our results of operations and business prospects also depend on our ability to successfully commercialize new products as they come out of pipeline. We generally commence preparatory work for the marketing and promotion of each new product before its expected launch date to help maximize sales. We generally expect accelerated growth in sales of our new products during the first few years after launch, followed by an extended period of steady growth. The sales volume of our new products will be affected by the level of our market penetration. We plan to continue to strengthen our highly specialized sales and marketing network and expand and empower our skilled in-house sales force, which we anticipate to contribute to the sales growth of our new products.

Our ability to successfully develop and commercialize new products is subject to a number of risks and uncertainties, many of which are beyond our control. See "Risk Factors – Risk Relating to Our Business and Industry – Development of new products, in particular innovative drugs, is time-consuming and costly and the outcome is uncertain. If we fail to develop and commercialize new products, our business prospects could be adversely affected."

Our ability to effectively control our costs and expenses

Our profitability has benefited from our effective control of cost of sales. Our cost of sales primarily comprises cost of raw materials, direct labor, manufacturing costs, cost of distributed products and cost of promotion services. We have devoted significant efforts to continuously improving our production efficiency, including through upgrading our production facilities to achieve increased automation in our production processes. As a result, we were able to increase our production volumes to meet growing market demand without significantly

increasing our staff and other costs. Our cost of sales as a percentage of revenue has remained relatively stable at 15.2% in 2017, 17.1% in 2018, 17.6% in 2019, 17.7% in the six months ended June 30, 2019 and 20.2% in the six months ended June 30, 2020.

Compared to our ability to control our cost of sales, our ability to effectively control our operating expenses has a greater impact on our profitability. Our operating expenses include selling and distribution expenses, research and development costs, as well as administrative and other operating expenses. Selling and distribution expenses are the largest component of our operating expenses, accounting for 55.7%, 49.2%, 40.0%, 43.0% and 32.6% of our revenue in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. In the future, we intend to continue to control our selling and distribution expenses and enhance our sales productivity through additional tailored training of sales personnel and more targeted marketing activities.

Our product and service mix

We have broad and diversified product portfolio across oncology, central nervous system diseases, autoimmune diseases, cardiovascular diseases, anti-infective and other therapeutic areas, which ensures our ability to withstand market and regulatory changes while maintaining a strong financial growth trajectory. As the gross profit margin of each product varies, the mix of products in our portfolio may materially affect our financial performance and results of operations. We continuously evaluate the product portfolio to allocate our resources towards products with promising market outlook and high profitability. We intend to continue to diversify our existing portfolio according to prevailing market conditions, expected clinical demand for our products in our focused therapeutic areas as well as our R&D plan and business strategies. We believe that we can continue developing a diversified product mix that supports our sustainable growth and helps us meet our current and future profitability targets.

In addition, with the implementation of "dual invoicing system" across China, we started to provide promotion services to other pharmaceutical companies through our in-house sales and marketing team. Our promotion services generally have lower gross profit margin than that of sales of pharmaceutical products. Please see "– Description of Key Statements of Profit or Loss Items – Gross Profit and Gross Profit Margin." Our overall gross profit margin may be negatively affected if we derive a higher proportion of revenue from promotion services.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with HKFRSs, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions 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. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our consolidated financial information as their application places significant demands on our management's judgment.

For details of our significant accounting policies and estimates, see Notes 2 and 3 in the Accountants' Report set out in Appendix I to this prospectus.

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue from the sale of pharmaceutical products is recognized at the point in time when the customer takes possession of and accepts the products. Promotion service income is recognized when we satisfy our promise to arrange for the pharmaceutical products to be provided by the seller to the purchaser.

Useful Lives and Impairment of Property, Plant and Equipment

Our property, plant and equipment include machinery and equipment, leasehold land, plant and buildings, furniture, fixtures and office equipment, motor vehicles and construction in progress. We state property, plant and equipment at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs. We depreciate property, plant and equipment by writing off their cost, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold land	Over the period of leases
Plant and buildings	5 – 20 years or remaining lease terms
Machinery and equipment	3 – 10 years
Motor vehicles	5 – 10 years
Furniture, fixtures and office equipment	3 – 5 years

Within these parameters, we determine the useful lives for property, plant and equipment based on our historical experience with similar assets and taking into account anticipated technological changes. We review both the useful life of property, plant and equipment and its residual value, if any, annually.

Construction in progress represents properties under construction and machinery and equipment pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the purchase cost of the asset and the related construction and installation costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the asset is substantially ready for use.

Research and Development Costs

During the Track Record Period, all of our research and development costs are recognized as expenses as incurred. Our accounting policies permit us to capitalize research and development costs if the product or process is technically and commercially feasible and we have sufficient resources and the intention to complete development.

We did not capitalize any research and development costs during the Track Record Period because we did not have any development projects meeting these criteria.

Fair Value of Financial Assets

During the Track Record Period, we had investments in structured deposits, wealth management products as well as investments in equity securities of private companies and units in investment funds, which were categorized within level 3 of the fair value hierarchy. The fair value of structured deposits and wealth management products is determined based on discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of unlisted equity securities and unlisted units in investment funds is determined using the recent comparable transaction price, if available, valuation multiples technique with comparable companies or net asset value of underlying investments.

In relation to the valuation of our financial assets categorized within the level 3 of fair value hierarchy, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the relevant investments; (ii) built up a team that manages the annual valuation of the relevant investments; (iii) reviewed the fair value measurement assessment of the relevant investments presented by our finance personnel and carefully considered all information available and applied various applicable valuation techniques in determining the valuation of the relevant investments; and (iv) engaged independent financial advisers and professional valuers when necessary. Based on the above procedures, our Directors are of the view that the valuation of our financial assets categorized within the level 3 of fair value hierarchy is fair and reasonable, and our financial statements have been properly prepared.

Details of the fair value measurement of the level 3 financial assets, particularly the fair value hierarchy, the valuation techniques and significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 37(e) to the historical financial information of our Group for the Track Record Period

as set out in the Accountants' Report in Appendix I. The Reporting Accountants' opinion on the historical financial information of our Group during the Track Record Period as a whole is set out on page I-2 of the Accountants' Report in Appendix I.

In relation to the fair value assessment of the financial assets requiring level 3 measurements under the fair value classification, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewing relevant notes in the Accountants' Report as contained in Appendix I to this prospectus; (ii) reviewing the relevant valuation reports with respect to the financial assets; (iii) obtaining and reviewing the relevant agreements regarding the financial assets; and (iv) discussing with the Company and the Reporting Accountants the key basis and assumptions for the valuation of the financial instruments. Having considered the work done by the Company's management, the Directors and the Reporting Accountants, and the relevant due diligence done as stated above, nothing material has come to the Joint Sponsors' attention that indicates that the Directors have not undertaken independent and sufficient investigation and due diligence, or that the Directors' reliance on the work products of the independent valuer is unreasonable or excessive.

Estimated Impairment of Goodwill

For the purpose of impairment testing as of December 31, 2017, 2018 and 2019 and June 30, 2020, goodwill has been allocated to the operations of BCY Pharm and our remaining business (the "**pharmaceutical business**") as individual cash-generating units of our Group as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Pharmaceutical business	142,474	142,474	142,474	142,474
BCY Pharm	–	–	–	30,314
	142,474	142,474	142,474	172,788

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by our management covering a five-year period and cash flows beyond that five-year period are extrapolated using zero growth rate. The cash flows for the pharmaceutical business cash-generating unit are discounted using pre-tax discount rate of 15.2%, 14.3% and 15.0% as of December 31, 2017, 2018 and 2019. Key assumptions for the value-in-use calculation are the discount rate and budgeted earnings before interest, taxes, depreciation and amortization ("**EBITDA**") growth rate in the five-year projection period. The estimated recoverable amount of the pharmaceutical business cash-generating unit exceeded its carrying amount as of

December 31, 2017, 2018 and 2019 by approximately RMB6,433.6 million, RMB6,167.6 million and RMB5,705.3 million, respectively. The following table sets forth the percentage point by which the two key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2017	2018	2019
Increase in discount rate	+74.3%	+37.2%	+32.7%
Decrease in budgeted EBITDA growth rate	-26.9%	-21.6%	-21.4%

As the estimated recoverable amount of the pharmaceutical business cash-generating unit exceeded its carrying amount as of December 31, 2017, 2018 and 2019, we did not record any impairment charge on goodwill in 2017, 2018 and 2019. Also, based on the sensitivity analysis above, we have concluded that a reasonably possible change in key parameters would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount as of December 31, 2017, 2018 and 2019. During the six months ended June 30, 2020, our Directors did not identify any significant adverse change in our operations and therefore, concluded that there was no impairment indicator of goodwill as of June 30, 2020.

Share-based Payment Expenses

On July 31, 2014, SPHL, our then offshore holding company of our business, adopted the Pre-IPO Share Incentive Scheme, in connection with which, Excel Management executed a declaration of trust as the trustee on December 10, 2015 in order to hold shares of SPHL for the benefit of participants of the Pre-IPO Share Incentive Scheme. For the purpose of the Pre-IPO Share Incentive Scheme, on July 8, 2016, SPHL allotted and issued 5,583,613 shares to Excel Management through Artking. Please see "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization – Adoption of the Pre-IPO Share Incentive Scheme" and "Appendix V – Statutory and General Information – D. Pre-IPO Share Incentive Scheme" for more details about our Pre-IPO Share Incentive Scheme. Participants of the Pre-IPO Share Incentive Scheme received restricted shares at grant prices lower than the then fair value of the awarded shares and the difference was recorded as share-based payment expenses in our consolidated statements of profit or loss over the respective vesting period of the awarded shares. We recorded share-based payment expenses with an aggregate amount of RMB15.2 million, RMB5.7 million, RMB14.2 million, RMB2.5 million and RMB17.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively, in connection with the Pre-IPO Share Incentive Scheme. In addition, we expect to recognize share-based payment expenses of RMB16.1 million and RMB33.1 million for the six months ending December 31, 2020 and the year ending December 31, 2021, respectively. For further details about the accounting treatment of our Pre-IPO Share Incentive Scheme, please see Note 32 in the Accountants' Report set out in Appendix I to this prospectus.

As part of the Reorganization, on June 21, 2019, the Company allotted and issued 54,719,407 Shares to Excel Management to enable it to directly hold our Shares and maintain its total shareholding interest in our Group at the same proportionate level. For further details, see "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization – Allotment of Shares by Our Company to the Shareholders." As the purpose of the allotment and issuance of these 54,719,407 Shares was to ensure that Excel Management's shareholding in the Company will not be diluted as a result of allotment of Shares to other Shareholders and the Shareholders' effective shareholding percentages in our Company remained the same before and after such issuance of Shares, no accounting treatment has been made to reflect such issuance of Shares in our consolidated financial statements and such issuance of Shares did not have any impact on our consolidated financial statements except for an increase in share capital.

Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

We have adopted a full retrospective application of HKFRS 9, HKFRS 15 and HKFRS 16, which we have applied on a consistent basis throughout the Track Record Period. We have assessed the effect of adopting HKFRS 9, HKFRS 15 and HKFRS 16 on our historical financial information and identified the following areas that have been affected:

HKFRS 9

HKFRS 9 "Financial Instruments" replaces HKAS 39 and requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses. The adoption of expected credit loss model under HKFRS 9 did not have a material impact on the impairment loss allowance for our financial assets measured at amortized cost during the Track Record Period as compared with the incurred loss model under HKAS 39.

HKFRS 15

HKFRS 15 "Revenue from Contracts with Customers" replaces HKAS 18 and requires separate presentation of contract assets and contract liabilities in the balance sheet. This has resulted in some reclassifications in relation to our unsatisfied performance obligations. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our contract liabilities of RMB21.4 million, RMB18.3 million, RMB16.7 million and RMB14.8 million, respectively, should have been presented as advances from customers in our balance sheet if HKAS 18 was applied throughout the Track Record Period.

HKFRS 16

HKFRS 16 "Leases" provides new provisions for the accounting treatment of leases and requires lessees to recognize certain leases on the statements of financial position. Specifically, for any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset in our consolidated statements of financial position and depreciation of the right-of-use asset is

recognized over the lease term on a straight-line basis in our consolidated statements of profit and loss. In addition, we record a lease liability representing our obligation to make lease payments based on present value, calculated by using the effective interest method, in our consolidated statements of financial position and finance costs on the lease liability is recognized in our consolidated statements of profit and loss. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recorded right-of-use assets of RMB201.3 million, RMB234.4 million, RMB351.5 million and RMB446.8 million, respectively, and lease liabilities of RMB25.7 million, RMB56.7 million, RMB157.8 million and RMB257.5 million, respectively, in our consolidated statements of financial position. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we recorded depreciation of right-of-use assets of RMB18.0 million, RMB25.8 million, RMB41.1 million, RMB21.0 million and RMB22.4 million, respectively, and interest expenses on lease liabilities of RMB1.3 million, RMB1.6 million, RMB7.1 million, RMB3.3 million and RMB5.1 million, respectively, in our consolidated statements of profit and loss.

Save as disclosed above, the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 did not have any significant impact on our financial position as of December 31, 2017, 2018 and 2019 and June 30, 2020 or our results of operations during the Track Record Period.

DESCRIPTION OF KEY STATEMENTS OF PROFIT OR LOSS ITEMS

The following table sets forth selected consolidated statements of profit or loss items for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
			(RMB'000)		
				(Unaudited)	
Revenue	3,867,908	4,514,204	5,036,658	2,414,023	1,925,413
Cost of sales	(586,301)	(771,195)	(888,486)	(428,429)	(388,130)
Gross profit	3,281,607	3,743,009	4,148,172	1,985,594	1,537,283
Other revenue	70,351	67,538	91,507	40,719	43,072
Other net (loss)/gain	(175,939)	90,501	15,941	10,271	(6,447)
Research and development costs	(212,309)	(447,148)	(716,412)	(252,532)	(454,091)
Selling and distribution expenses	(2,155,662)	(2,221,757)	(2,016,222)	(1,036,868)	(628,502)
Administrative and other operating expenses	(277,469)	(290,202)	(351,676)	(155,599)	(193,464)
Profit from operations	530,579	941,941	1,171,310	591,585	297,851
Finance income	25,146	36,253	34,724	24,889	10,851
Finance costs	(58,441)	(47,534)	(115,955)	(64,812)	(79,576)
Net finance costs	(33,295)	(11,281)	(81,231)	(39,923)	(68,725)

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Share of losses of associates	–	(1,616)	(8,129)	(1,518)	(4,353)
Share of losses of a joint venture	–	–	(135)	–	(40)
Profit before taxation	497,284	929,044	1,081,815	550,144	224,733
Income tax	(146,872)	(195,357)	(78,191)	(89,136)	(39,898)
Profit for the year/period	350,412	733,687	1,003,624	461,008	184,835
Attributable to:					
Equity shareholders of the Company	350,409	733,687	1,003,624	461,008	185,518
Non-controlling interest	3	–	–	–	(683)

Revenue

During the Track Record Period, we generated our revenue primarily from sales of our pharmaceutical products that we manufactured in-house. To a lesser extent, we also generated revenue from sales of third-party pharmaceutical products and provision of promotion services to other pharmaceutical companies.

Revenue by Businesses

The following table sets forth our revenue by businesses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Sales of pharmaceutical products[(1)]	3,836,979	99.2	4,309,148	95.5	4,800,323	95.3	2,283,550	94.6	1,803,398	93.7
Promotion service income	30,929	0.8	205,056	4.5	236,335	4.7	130,473	5.4	122,015	6.3
Total	3,867,908	100.0	4,514,204	100.0	5,036,658	100.0	2,414,023	100.0	1,925,413	100.0

Note:

(1) Revenue generated from sales of pharmaceutical products comprises revenue generated from the sales of our own pharmaceutical products and sales of third-party pharmaceutical products. Revenue generated from sales of third-party pharmaceutical products amounted to RMB358.7 million, RMB327.1 million, RMB376.4 million, RMB165.1 million and RMB200.5 million, respectively, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

Revenue by Therapeutic Areas

The following table sets forth a breakdown of our revenue from sales of pharmaceutical products by therapeutic areas for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Oncology products	1,004,855	26.2	1,279,801	29.7	1,568,853	32.7	660,902	28.9	537,638	29.8
Central nervous system products	1,276,142	33.3	1,202,008	27.9	936,869	19.5	572,780	25.1	178,011	9.9
Autoimmune products	423,219	11.0	537,849	12.5	813,786	17.0	329,243	14.4	536,976	29.8
Cardiovascular products	243,432	6.3	353,082	8.2	445,468	9.3	216,008	9.5	181,894	10.1
Anti-infective products	564,699	14.7	579,476	13.4	635,719	13.2	305,933	13.4	211,165	11.7
Others[(1)]	324,632	8.5	356,932	8.3	399,628	8.3	198,684	8.7	157,714	8.7
Total	3,836,979	100.0	4,309,148	100.0	4,800,323	100.0	2,283,550	100.0	1,803,398	100.0

Note:

(1) Including pharmaceutical products for the treatment of other diseases, APIs and other healthcare products.

Revenue by Major Products

The following table sets forth the sales of our major products in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
Endostar	669,662	17.3	856,830	19.0	1,136,547	22.6	457,484	19.0	388,588	20.2
Bicun	1,244,176	32.2	1,198,595	26.6	936,901	18.6	572,788	23.7	178,020	9.2
Iremod	159,025	4.1	291,687	6.5	520,157	10.3	203,828	8.4	389,514	20.2

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
Softan	179,152	4.6	277,666	6.2	334,852	6.6	166,916	6.9	121,644	6.3
Yingtaiqing[(1)]	261,533	6.8	242,832	5.4	289,912	5.8	123,681	5.1	146,155	7.6
Newanti	257,138	6.6	258,184	5.7	283,907	5.6	136,851	5.7	99,924	5.2
ZAILIN	189,163	4.9	187,427	4.2	199,706	4.0	93,945	3.9	54,586	2.8
Jepaso	132,909	3.4	162,361	3.6	173,104	3.4	79,044	3.3	66,240	3.4
Sinofuan	116,582	3.0	115,710	2.6	128,265	2.5	54,283	2.2	57,528	3.0
Jiebaili	85,664	2.2	144,833	3.2	127,033	2.5	70,090	2.9	18,371	1.0
Total major products	3,295,004	85.1	3,736,125	83.0	4,130,384	81.9	1,958,910	81.1	1,520,570	78.9

Note:

(1) Including sales of Yingtaiqing-branded diclofenac sodium sustained-release capsules sourced from CPU Pharma as well as Yingtaiqing-branded diclofenac sodium sustained-release capsules and Yingtaiqing-branded diclofenac sodium gel manufactured by us.

Cost of Sales

The table below sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Cost of raw materials	196,818	33.6	251,435	32.6	294,366	33.1	146,057	34.1	106,622	27.5
Direct labor	79,100	13.5	85,115	11.0	107,855	12.1	53,144	12.4	41,518	10.7
Manufacturing costs	118,068	20.1	133,711	17.3	176,782	19.9	65,589	15.3	70,806	18.2
Cost of distributed products	115,607	19.7	98,464	12.8	92,614	10.4	46,232	10.8	70,701	18.2
Cost of promotion services	24,041	4.1	146,925	19.1	162,686	18.3	91,283	21.3	79,372	20.4
Taxes and surcharges	51,738	8.8	52,978	6.9	48,438	5.5	24,313	5.7	13,198	3.4
Others	929	0.2	2,567	0.3	5,745	0.7	1,811	0.4	5,913	1.6
Total	586,301	100.0	771,195	100.0	888,486	100.0	428,429	100.0	388,130	100.0

Cost of raw materials primarily consists of costs incurred for the purchase APIs, chemicals used to produce APIs, excipients and packaging materials used in production. Direct labor costs mainly consist of salaries, bonuses, share-based compensation expenses, pension and other social security and welfare of our manufacturing personnel. Manufacturing costs primarily comprise depreciation expenses of property, plant and equipment used in production, utilities expenses and other manufacturing overheads. Cost of distributed products represents costs at which we purchase third-party pharmaceutical products. Cost of promotion services mainly comprises staff costs, conference expenses and travelling expenses in connection with the promotion of third-party pharmaceutical products.

The table below sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in cost of sales on our net profit for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Cost of sales	586,301		771,195		888,486		428,429		388,130	
Gross profit	3,281,607		3,743,009		4,148,172		1,985,594		1,537,283	
Profit for the year/period	350,412		733,687		1,003,624		461,008		184,835	
Cost of raw materials (5% increase)										
Cost of sales	9,841	1.7	12,572	1.6	14,718	1.7	7,303	1.7	5,331	1.4
Gross profit	(9,841)	(0.3)	(12,572)	(0.3)	(14,718)	(0.4)	(7,303)	(0.4)	(5,331)	(0.3)
Profit for the year/period	(8,365)	(2.4)	(10,686)	(1.5)	(12,511)	(1.2)	(6,207)	(1.3)	(4,531)	(2.5)
Direct labor (5% increase)										
Cost of sales	3,955	0.7	4,256	0.6	5,393	0.6	2,657	0.6	2,076	0.5
Gross profit	(3,955)	(0.1)	(4,256)	(0.1)	(5,393)	(0.1)	(2,657)	(0.1)	(2,076)	(0.1)
Profit for the year/period	(3,362)	(1.0)	(3,617)	(0.5)	(4,584)	(0.5)	(2,259)	(0.5)	(1,765)	(1.0)
Manufacturing costs (5% increase)										
Cost of sales	5,903	1.0	6,686	0.9	8,839	1.0	3,279	0.8	3,540	0.9
Gross profit	(5,903)	(0.2)	(6,686)	(0.2)	(8,839)	(0.2)	(3,279)	(0.2)	(3,540)	(0.2)
Profit for the year/period	(5,018)	(1.4)	(5,683)	(0.8)	(7,513)	(0.7)	(2,788)	(0.6)	(3,009)	(1.6)

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Gross profit margin represents gross profit divided by total revenue, expressed as percentage. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gross profit was RMB3,281.6 million, RMB3,743.0 million, RMB4,148.2 million and RMB1,537.3 million, respectively, and our gross profit margin was 84.8%, 82.9%, 82.4% and 79.8%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross Profit	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*
	(RMB'000, except percentages)									
							(Unaudited)			
Sales of pharmaceutical products	3,274,719	85.3%	3,684,878	85.5%	4,074,523	84.9%	1,946,404	85.2%	1,494,640	82.9%
Promotion services	6,888	22.3%	58,131	28.3%	73,649	31.2%	39,190	30.0%	42,643	34.9%
Total	3,281,607	84.8%	3,743,009	82.9%	4,148,172	82.4%	1,985,594	82.3%	1,537,283	79.8%

Other Revenue and Other Net (Loss)/Gain

The following table sets forth a breakdown of our other revenue and other net (loss)/gain for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Other revenue					
Government grants	52,252	47,029	65,885	28,755	32,514
Rental income	5,024	12,050	15,198	6,908	5,497
Gain on transfer of technology know-how	9,871	–	–	–	–
Property management income	854	1,783	3,911	1,772	1,441
Consulting and technology service income	789	4,580	2,614	535	1,383

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Others	1,561	2,096	3,899	2,749	2,237
	70,351	67,538	91,507	40,719	43,072
Other net (loss)/gain					
Net foreign exchange (loss)/gain	(10,322)	9,811	(1,633)	(2,102)	(19,867)
Net gain/(loss) on from disposal of property, plant and equipment	229	(456)	(3,483)	36	(3,053)
Net realized and unrealized gains/(losses) on trading securities	649	(523)	819	666	(102)
Net realized and unrealized (losses)/gains on financial assets at fair value through profit or loss	(166,495)	81,669	20,238	11,671	13,261
Gain on disposal of a subsidiary	–	–	–	–	1,552
Gain arising from business combination	–	–	–	–	1,762
	(175,939)	90,501	15,941	10,271	(6,447)
Total other revenue and other net (loss)/gain	(105,588)	158,039	107,448	50,990	36,625

Government grants comprise (i) unconditional government subsidies in recognition of our technology innovation and contribution to the local economy which were recognized when received in our statements of profit or loss; and (ii) conditional government subsidies for the construction and relocation of production facilities as well as for encouragement of our research and development projects, which were recognized in our statements of profit or loss when related conditions were satisfied or amortized over the estimated useful lives of the relevant assets.

Realized and unrealized (losses)/gains on financial assets at fair value through profit and loss represent interest and dividend income of and the changes in fair value of the investments in short-term structured deposits, wealth management products, equity securities of private companies and units in investment funds. Please see "– Certain Balance Sheet Items – Financial Assets at Fair Value through Profit or Loss and Trading Securities" for more details about these investments. We recorded realized and unrealized losses on financial assets at fair value through profit and loss in 2017, primarily due to a decrease in the fair value of certain

investment as a result of the weakened operating cash flow position of the underlying investment asset. We did not receive or recognize any dividend income in respect of financial assets at fair value through other comprehensive income during the Track Record Period.

Research and Development Costs

The table below sets forth a breakdown of our research and development costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Staff costs	69,604	32.8	138,263	30.9	239,478	33.4	93,807	37.1	153,881	33.9
Cost of materials	42,725	20.1	57,928	13.0	100,482	14.0	37,359	14.8	68,059	15.0
Outsourcing expenses	14,342	6.8	92,599	20.7	124,294	17.4	50,008	19.8	121,198	26.7
Clinical trial costs	32,847	15.5	45,258	10.1	111,582	15.6	13,231	5.2	18,397	4.1
Depreciation and amortization	14,305	6.7	24,696	5.5	40,827	5.7	19,058	7.5	39,919	8.8
Others	38,486	18.1	88,404	19.8	99,749	13.9	39,069	15.6	52,637	11.5
Total	212,309	100.0	447,148	100.0	716,412	100.0	252,532	100.0	454,091	100.0

Staff costs mainly consist of salaries, bonuses, share-based compensation expenses, pension and other social security and welfare of our research and development personnel. Cost of materials primarily comprises costs of reagents and consumables used in our research and development. Outsourcing expenses mainly represent service fees to our CROs and payments our external R&D partners. Clinical trial costs represent costs incurred from our clinical trials. Depreciation and amortization represent depreciation and amortization of property, plant and equipment and intangible assets used in our research and development. Other research and development costs primarily consist of travelling and conference expenses, consulting expenses, utilities, rental expenses, general office expenses and other miscellaneous research and development costs.

Selling and Distribution Expenses

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Marketing and promotion expenses	1,459,809	67.7	1,528,656	68.8	1,290,003	64.0	656,722	63.3	300,727	47.8
Staff costs	272,668	12.6	284,364	12.8	445,376	22.1	225,009	21.7	236,421	37.6
Travelling expenses	348,619	16.2	335,458	15.1	209,269	10.4	123,729	11.9	52,350	8.3
Others	74,566	3.5	73,279	3.3	71,574	3.5	31,408	3.1	39,004	6.3
Total	2,155,662	100.0	2,221,757	100.0	2,016,222	100.0	1,036,868	100.0	628,502	100.0

Marketing and promotion expenses primarily comprise (i) expenses associated with organizing and participating in various academic conferences, seminars and symposia, which mainly consist of registration fees, space and equipment rent, costs related to preparing company brochures, product catalogs and other marketing materials, as well as related meeting disbursements; and (ii) service fees paid to third-party promoters. Travelling expenses primarily consist of travel and accommodation expenses of our in-house sales and marketing personnel for the promotion of our products. Staff costs mainly consist of salaries, bonuses, share-based compensation expenses, pension and other social security and welfare of our sales and marketing personnel. Other selling and distribution expenses mainly consist of general office expenses, logistics expenses, entertainment expenses and other miscellaneous selling and distribution expenses.

Our selling and distribution expenses remained relatively stable at RMB2,155.7 million, RMB2,221.8 million and RMB2,016.2 million, respectively, for the years ended December 31, 2017, 2018 and 2019, which was in line with our stable product portfolio during the Track Record Period. Our selling and distribution expenses as a percentage of total revenue decreased from 55.7% in 2017 to 49.2% in 2018, and further decreased to 40.0% in 2019, primarily due to (i) significant increased sales volumes and market penetration of Endostar and Iremod, our category I innovative pharmaceuticals, as a result of their inclusion in the NRDL in August 2017, which reduced our need to incur expenses for the promotion of such products; and (ii) improved efficiency of our in-house sales and marketing team. Our selling and distribution expenses decreased by 39.4% from RMB1,036.9 million for the six months ended June 30, 2019 to RMB628.5 million for the six months ended June 30, 2020, and our selling and distribution expenses as a percentage of total revenue decreased from 43.0% for the six months ended June 30, 2019 to 32.6% for the six months ended June 30, 2020, primarily due to reduced academic marketing efforts in the first half of 2020 in light of the COVID-19 outbreak.

Administrative and Other Operating Expenses

The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Staff costs	115,473	41.6	121,455	41.9	157,881	44.9	69,006	44.3	83,548	43.2
General operating expenses	80,460	29.0	78,703	27.1	80,502	22.8	37,525	24.1	28,375	14.7
Depreciation and amortization	35,076	12.6	39,007	13.4	51,194	14.6	21,730	14.0	24,579	12.7
Professional consulting fees	8,751	3.2	14,976	5.2	22,112	6.3	6,993	4.5	18,928	9.8
Others	37,709	13.6	36,061	12.4	39,987	11.4	20,345	13.1	38,034	19.6
Total	277,469	100.0	290,202	100.0	351,676	100.0	155,599	100.0	193,464	100.0

Staff costs mainly consist of salaries, bonuses, share-based compensation expenses, pension and other social security and welfare of our Directors, senior management and administrative personnel and staff recruitment expenses. General operating expenses mainly consist of travelling and conference expenses, office expenses, utilities, taxation and repair and maintenance expenses. Depreciation and amortization are mainly related to property and equipment for office and other administrative functions. Professional consulting fees mainly comprise service fees to auditors, legal counsel and other professional service providers. Other administrative and operating expenses primarily consist of business entertainment expenses, Internet and telephone expenses, cost of low-value consumables, cleaning and gardening expenses, donation expenses and other miscellaneous administrative and operating expenses.

Finance Income/(Costs)

The following table sets forth a breakdown of our finance income/(costs) for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Interest income from bank deposits	3,906	5,922	13,373	9,901	10,721
Interest income from loans to related parties	20,060	30,224	21,351	14,988	130
Interest income from loans to third parties	1,180	107	–	–	–
Finance income	25,146	36,253	34,724	24,889	10,851
Interest expense on bank loans	(53,171)	(40,545)	(108,661)	(60,719)	(78,937)
Interest expense on loans from related parties	(4,012)	(6,745)	(6,606)	(3,545)	(298)
Interest expenses on lease liabilities	(1,258)	(1,607)	(7,122)	(3,341)	(5,124)
Less: borrowing costs capitalized as construction in progress	–	1,363	6,434	2,793	4,783
Finance costs	(58,441)	(47,534)	(115,955)	(64,812)	(79,576)
Net finance costs	(33,295)	(11,281)	(81,231)	(39,923)	(68,725)

Please see "– Related Party Transactions" for details about loans from and to related parties.

During the Track Record Period, loans to third parties were subject to interest rates ranging from 5.10% to 6.00% per annum and had no fixed repayment terms. The principal and accrued interest were fully settled in 2019.

We capitalize interest expenses on bank loans incurred for the construction of new production facilities and warehouses.

Income Tax Expense

Our income tax expense consists of current tax and deferred tax. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
			(RMB'000)		
				(Unaudited)	
Current tax	114,364	98,519	197,709	138,270	25,399
Deferred tax	32,508	96,838	(119,518)	(49,134)	14,499
Income tax expense	146,872	195,357	78,191	89,136	39,898

The provision for PRC corporate income tax is based on the statutory EIT rate of 25% of the assessable profits of our PRC subsidiaries as determined in accordance with the PRC EIT Law, except for certain of our PRC subsidiaries which were recognized as "high and new technology enterprises" by the local government authorities and thus were entitled to a preferential EIT rate of 15%. Please see "Risk Factors – Risks Relating to Our Business and Industry – Preferential tax treatment and financial subsidies we have enjoyed may change or discontinue, which may have an adverse effect on our financial condition and results of operations."

Our effective income tax rate in 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 was 29.5%, 21.0%, 7.2%, 16.2% and 17.8%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

RECENT DEVELOPMENTS ON OUR FINANCIAL PERFORMANCE

Our revenue and net profit decreased significantly in the six months ended June 30, 2020 compared to that of the same period in 2019, and we expect to record decreases in revenue and net profit for the year ending December 31, 2020 as compared to those for the year ended December 31, 2019. We currently expect the consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020 to be not less than RMB480 million. Please see "Appendix III – Profit Forecast." These decreases were primarily due to:

- the outbreak of COVID-19 which resulted in a decrease in demand for pharmaceutical products in general as a result of a decrease in patient visits of medical institutions and consequently had an adverse impact on the overall pharmaceutical market in China. According to Frost & Sullivan, total outpatient visits of medical institutions in China decreased by 26.1% from 2,750.2 million for the four months ended April 30, 2019 to 2,033.7 million for the four months ended April 30, 2020, while total inpatient visits of medical institutions in China decreased by 21.8% from 84.7 million for the four months ended April 30, 2019 to 66.2 million for the four months ended April 30, 2020. Our diversified product portfolio across a variety of therapeutic areas makes us susceptible to overall market developments and volatility in the industry;

- a decrease in sales of Bicun as a result of its exclusion from the latest version of the NRDL which came into force on January 1, 2020. Please see "Business – Major Recent Regulatory Reforms" for more details;

- an increase in research and development costs to support our continued R&D efforts. Specifically, we have continued to reinforce our research and development capabilities by, among others, recruiting additional qualified research and development employees, as a result of which, our research and development employees increased from 699 as of December 31, 2019 to 879 as of August 31, 2020. Meanwhile, we have proactively explored external collaboration opportunities, and entered into collaboration arrangements with four major collaboration partners, namely, Immunochina, PREGENE, Primary Peptides and G1 Therapeutics in 2020. As of August 31, 2020, we paid a significant amount to such collaboration partners in connection with the relevant collaboration arrangements;

- a decrease in sales of Endostar as a result of the decrease in its pricing level attributable to the national medical insurance pricing negotiation process for renewing its inclusion in the latest version of the NRDL; and

- a decrease in sales of Softan and Jiebaili as Softan did not win in the bidding processes under the centralized volume-based drug procurement schemes, while Jiebaili was ineligible for bidding because it had yet to pass the consistency evaluation. Please see "Business – Major Recent Regulatory Reforms" for more details.

While we expect our revenue from sales of Bicun to continue to decline in the next half of 2020, we anticipate that revenue from sales of our other major products to increase overall, as the number of inpatient and outpatient visits of medical institutions in China has been recovering.

We believe that we will be able to mitigate the above-mentioned deteriorating financial performance and downward pressure on our profitability in the near future based on the following:

- We expect our revenue contribution from innovative drugs to further increase. In particular, we launched Orencia and Sanbexin in August 2020, both of which have passed the qualification review to undergo the national medical insurance pricing negotiation process for inclusion in the NRDL. In addition, we expect to launch the promotion of KN035 in 2021. We believe that these innovative products will drive our growth in revenue and profit in the next few years. Furthermore, we believe our continuously increasing investment in R&D could enable us to bring additional innovative products to the market, which in turn will have a positive impact on our future profitability;

- We also expect to launch a number of generic drug candidates in the next few years. Specifically, we won the bid for tofacitinib citrate tablets in the nationwide centralized volume-based drug procurement scheme in August 2020, which is expected to significantly drive its sales after launch;

- We currently do not anticipate a further material adverse impact on our financial performance brought by the major recent regulatory reforms. Please see "Business – Major Recent Regulatory Reforms" for more details. Meanwhile, we will continue to strive to win bids under the centralized volume-based drug procurement schemes, which, if successful, may enable us to further enhance our operating efficiency and achieve greater economies of scale; and

- Our financial performance in 2020 is affected by certain matters which are non-recurring in nature. For example, the COVID-19 outbreak has been contained in China with its negative impact on pharmaceutical sales gradually diminishing. In addition, attributable to several new collaboration arrangements we entered into in 2020, we paid the upfront payments in nine figures in RMB in aggregate to the relevant external R&D partners, which were one-off in nature and are expected to greatly increase our research and development costs for the year ending December 31, 2020. We also expect to incur a significant amount of listing expenses in 2020 for the Global Offering.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Revenue

Our revenue decreased by 20.2% from RMB2,414.0 million for the six months ended June 30, 2019 to RMB1,925.4 million for the six months ended June 30, 2020, which was due to a decrease of RMB480.2 million in revenue from sales of pharmaceutical products and a decrease of RMB8.4 million in promotion service income.

Our revenue from sales of pharmaceutical products decreased by 21.0% from RMB2,283.6 million for the six months ended June 30, 2019 to RMB1,803.4 million for the six months ended June 30, 2020, primarily due to decreases in revenue from sales of oncology, central nervous system, cardiovascular and anti-infective products, which was partially offset by an increase in revenue from sales of autoimmune products.

Oncology Products. Our revenue from sales of oncology products decreased by 18.7% from RMB660.9 million for the six months ended June 30, 2019 to RMB537.6 million for the six months ended June 30, 2020, primarily driven by decreased revenue from sales of Endostar and Jiebaili. Our revenue generated from Endostar decreased by 15.1% from RMB457.5 million for the six months ended June 30, 2019 to RMB388.6 million for the six months ended June 30, 2020, primarily as a result of the decrease in its pricing level mainly attributable to the national medical insurance pricing negotiation process for renewing its inclusion in the NRDL, the latest version of which came into force on January 1, 2020. The decreased revenue from sales of Endostar was offset by its increased sales volume, which was mainly driven by (i) the continuing positive effects on demand for Endostar resulting from its inclusion in the NRDL in August 2017; and (ii) the rapid growth of the market for targeted therapy drugs for NSCLC in China during the same period. Our revenue generated from Jiebaili decreased by 73.8% from RMB70.1 million for the six months ended June 30, 2019 to RMB18.4 million for the six months ended June 30, 2020, which was due to (i) the decrease in its sales volume as it was ineligible for bidding under the centralized volume-based drug procurement schemes because it had yet to pass the consistency evaluation; and (ii) the decrease in its pricing level primarily attributable to downward pricing pressure brought by the centralized volume-based drug procurement schemes.

Central Nervous System Products. Our revenue from sales of central nervous system products decreased by 68.9% from RMB572.8 million for the six months ended June 30, 2019 to RMB178.0 million for the six months ended June 30, 2020, primarily driven by decreased revenue from sales of Bicun. Our revenue generated from Bicun decreased by 68.9% from RMB572.8 million for the six months ended June 30, 2019 to RMB178.0 million for the six months ended June 30, 2020, primarily as a result of its decreased sales volume due to its exclusion from the latest version of the NRDL which came into force on January 1, 2020. Overall pricing level for Bicun remained relatively stable during the six months ended June 30, 2019 and 2020.

Autoimmune Products. Our revenue from sales of autoimmune products increased by 63.1% from RMB329.2 million for the six months ended June 30, 2019 to RMB537.0 million for the six months ended June 30, 2020, primarily driven by increased revenue from sales of Iremod. Our revenue generated from Iremod increased by 91.1% from RMB203.8 million for the six months ended June 30, 2019 to RMB389.5 million for the six months ended June 30, 2020, primarily as a result of its increased sales volume. The increase in the sales volume of Iremod was mainly driven by (i) the continuing positive effects on demand for Iremod resulting from its inclusion in the NRDL in August 2017; and (ii) the rapid growth of the conventional synthetic DMARD market in China during the same period. Overall pricing level for Iremod remained relatively stable during the six months ended June 30, 2019 and 2020.

Cardiovascular Products. Our revenue from sales of cardiovascular products decreased by 15.8% from RMB216.0 million for the six months ended June 30, 2019 to RMB181.9 million for the six months ended June 30, 2020, primarily driven by decreased revenue from sales of Softan. Our revenue generated from Softan decreased by 27.1% from RMB166.9 million for the six months ended June 30, 2019 to RMB121.6 million for the six months ended June 30, 2020, which was due to (i) the decrease in its sales volume as it did not win in the bidding process under the centralized volume-based drug procurement schemes; and (ii) the decrease in its pricing level primarily attributable to downward pricing pressure brought by the centralized volume-based drug procurement schemes.

Anti-Infective Products. Our revenue from sales of anti-infective products decreased by 31.0% from RMB305.9 million for the six months ended June 30, 2019 to RMB211.2 million for the six months ended June 30, 2020, primarily driven by decreased revenue from sales of Newanti and ZAILIN. Our revenue generated from Newanti decreased by 27.0% from RMB136.9 million for the six months ended June 30, 2019 to RMB99.9 million for the six months ended June 30, 2020, and our revenue generated from ZAILIN decreased by 41.9% from RMB93.9 million for the six months ended June 30, 2019 to RMB54.6 million for the six months ended June 30, 2020, primarily as a result of their decreased sales volumes caused by the COVID-19 outbreak. Overall pricing level for Newanti and ZAILIN remained relatively stable during the six months ended June 30, 2019 and 2020.

Our promotion service income decreased by 6.5% from RMB130.5 million for the six months ended June 30, 2019 to RMB122.0 million for the six months ended June 30, 2020, primarily due to the decrease in demand for certain third-party pharmaceutical products in medical institutions caused by the COVID-19 outbreak.

Cost of Sales

Our cost of sales decreased by 9.4% from RMB428.4 million for the six months ended June 30, 2019 to RMB388.1 million for the six months ended June 30, 2020, primarily due to (i) (a) a decrease in cost of raw materials of RMB39.4 million, (b) a decrease in direct labor of RMB11.6 million and (c) a decrease in taxes and surcharges of RMB11.1 million, which were mainly driven by our decreased sales volumes; and (ii) a decrease in cost of promotion services of RMB11.9 million mainly attributable to (a) a decrease in promotion service income

and (b) reduced promotion activities in connection with the relevant third-party pharmaceutical products in the first half of 2020 in light of the COVID-19 outbreak. The decrease was partially offset by an increase in cost of distributed products of RMB24.5 million, which was in line with the increase in revenue derived from distribution of third-party pharmaceutical products, primarily due to an increase in demand for certain third-party pharmaceutical products in pharmacies as a result of the COVID-19 outbreak.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit decreased by 22.6% from RMB1,985.6 million for the six months ended June 30, 2019 to RMB1,537.3 million for the six months ended June 30, 2020. Our gross profit margin decreased from 82.3% for the six months ended June 30, 2019 to 79.8% for the six months ended June 30, 2020. Such decrease was primarily due to a decrease in the gross profit margin of sales of pharmaceutical products.

Gross profit margin of sales of pharmaceutical products decreased from 85.2% for the six months ended June 30, 2019 to 82.9% for the six months ended June 30, 2020, primarily due to (i) a lower proportion of sales of Bicun, a high gross profit margin product; and (ii) the decreased pricing level of Endostar.

Gross profit margin of promotion services increased from 30.0% for the six months ended June 30, 2019 to 34.9% for the six months ended June 30, 2020, primarily due to reduced promotion activities in connection with the relevant third-party pharmaceutical products in the first half of 2020 in light of the COVID-19 outbreak.

Other Revenue and Other Net (Loss)/Gain

Our other revenue remained relatively stable at RMB40.7 million for the six months ended June 30, 2019 and RMB43.1 million for the six months ended June 30, 2020.

We recorded other net loss of RMB6.4 million for the six months ended June 30, 2020, compared to other net gain of RMB10.3 million for the six months ended June 30, 2019, primarily due to an increase in net foreign exchange loss of RMB17.8 million mainly attributable to fluctuations in exchange rates of Euro against Renminbi.

Research and Development Costs

Our research and development costs increased by 79.8% from RMB252.5 million for the six months ended June 30, 2019 to RMB454.1 million for the six months ended June 30, 2020, primarily due to (i) an increase in outsourcing expenses of RMB71.2 million; (ii) an increase in staff costs of RMB60.1 million mainly attributable to increased headcount and compensation level; (iii) an increase in cost of materials of RMB30.7 million; and (iv) an increase in depreciation and amortization of RMB20.9 million mainly attributable to the completion of construction of our new R&D center in Boston, the United States and upgrading of our R&D

infrastructure. The increases in outsourcing expenses and cost of materials were mainly attributable to new R&D projects initiated and continued R&D efforts on innovative and high end generic pharmaceuticals in the first half of 2020.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 39.4% from RMB1,036.9 million for the six months ended June 30, 2019 to RMB628.5 million for the six months ended June 30, 2020, primarily due to (i) a decrease in marketing and promotion expenses of RMB356.0 million and (ii) a decrease in travelling expenses of RMB71.4 million, both of which were mainly attributable to reduced academic marketing efforts in the first half of 2020 in light of the COVID-19 outbreak.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 24.3% from RMB155.6 million for the six months ended June 30, 2019 to RMB193.5 million for the six months ended June 30, 2020, primarily due to (i) an increase in staff costs of RMB14.5 million mainly attributable to increased headcount and compensation level; and (ii) an increase in professional consulting fees of RMB11.9 million mainly attributable to listing expenses incurred in the first half of 2020.

Finance Income and Finance Costs

Our finance income decreased by 56.4% from RMB24.9 million for the six months ended June 30, 2019 to RMB10.9 million for the six months ended June 30, 2020, primarily due to a decrease in interest income from loans to related parties of RMB14.9 million mainly attributable to a decrease in average balance of loans to related parties.

Our finance costs increased by 22.8% from RMB64.8 million for the six months ended June 30, 2019 to RMB79.6 million for the six months ended June 30, 2020, primarily due to an increase in interest expenses on bank loans of RMB18.2 million mainly attributable to an increase in average bank borrowing balance.

Share of Losses of Associates

Share of losses of associates increased by 186.8% from RMB1.5 million for the six months ended June 30, 2019 to RMB4.4 million for the six months ended June 30, 2020, primarily due to increased losses incurred by Nanjing Bioheng Biotech Co., Ltd. (南京北恒生物科技有限公司).

Income Tax Expense

Our income tax expense decreased by 55.2% from RMB89.1 million for the six months ended June 30, 2019 to RMB39.9 million for the six months ended June 30, 2020, primarily due to (i) a decrease in provision for PRC EIT mainly attributable to the decrease in profit before taxation; and (ii) a decrease in provision of withholding tax recognized in previous years on undistributed profits of our PRC subsidiaries as we obtained the approval from Hong Kong tax authorities in the second half of 2019, which has confirmed that our Company is entitled to a reduced withholding tax rate of 5% on dividends received from our PRC subsidiaries that are PRC resident enterprises.

Our effective income tax rate remained relatively stable at 16.2% for the six months ended June 30, 2019 and 17.8% for the six months ended June 30, 2020.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 59.9% from RMB461.0 million for the six months ended June 30, 2019 to RMB184.8 million for the six months ended June 30, 2020. Our net profit margin, which represents profit for the period as a percentage of revenue, decreased from 19.1% for the six months ended June 30, 2019 to 9.6% for the six months ended June 30, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 11.6% from RMB4,514.2 million in 2018 to RMB5,036.7 million in 2019, which was due to an increase of RMB491.2 million in revenue from sales of pharmaceutical products and an increase of RMB31.3 million in promotion service income.

Our revenue from sales of pharmaceutical products increased by 11.4% from RMB4,309.1 million in 2018 to RMB4,800.3 million in 2019, primarily due to increases in revenue from sales of oncology, autoimmune, cardiovascular and anti-infective products, which was offset by a decrease in revenue from sales of central nervous system products.

Oncology Products. Our revenue from sales of oncology products increased by 22.6% from RMB1,279.8 million in 2018 to RMB1,568.9 million in 2019, primarily driven by increased revenue from sales of Endostar. Our revenue generated from Endostar increased by 32.6% from RMB856.8 million in 2018 to RMB1,136.5 million in 2019, primarily as a result of its increased sales volume. The increase in the sales volume of Endostar was mainly driven by (i) the continuing positive effects on demand for Endostar resulting from its inclusion in the NRDL in August 2017; and (ii) the rapid growth of the market for targeted therapy drugs for NSCLC in China during the same period. Overall pricing level for Endostar remained relatively stable from 2018 to 2019.

Central Nervous System Products. Our revenue from sales of central nervous system products decreased by 22.1% from RMB1,202.0 million in 2018 to RMB936.9 million in 2019, primarily driven by decreased revenue from sales of Bicun. Our revenue generated from Bicun decreased by 21.8% from RMB1,198.6 million in 2018 to RMB936.9 million in 2019, primarily as a result of its decreased sales volume due to its inclusion in the "First Batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products)" (《第一批國家重點監控合理用藥藥品目錄(化藥和生物製品)》) in June 2019. Please see "Risk Factors – Risks Relating to Our Business and Industry – If our products are excluded or removed from national, provincial or other government-sponsored medical insurance programs, or are included in any national or provincial negative catalogs, our sales, profitability and business prospects could be materially and adversely affected." Overall pricing level for Bicun remained relatively stable from 2018 to 2019.

Autoimmune Products. Our revenue from sales of autoimmune products increased by 51.3% from RMB537.8 million in 2018 to RMB813.8 million in 2019, primarily driven by increased revenue from sales of Iremod. Our revenue generated from Iremod increased by 78.3% from RMB291.7 million in 2018 to RMB520.2 million in 2019, primarily as a result of its increased sales volume. The increase in the sales volume of Iremod was mainly driven by (i) the continuing positive effects on demand for Iremod resulting from its inclusion in the NRDL in August 2017; and (ii) the rapid growth of the conventional synthetic DMARD market in China during the same period. Overall pricing level for Iremod remained relatively stable from 2018 to 2019.

Cardiovascular Products. Our revenue from sales of cardiovascular products increased by 26.2% from RMB353.1 million in 2018 to RMB445.5 million in 2019, primarily driven by increased revenue from sales of Softan. Our revenue generated from Softan increased by 20.6% from RMB277.7 million in 2018 to RMB334.9 million in 2019, primarily as a result of its increased sales volume. The increase in the sales volume of Softan was mainly driven by (i) the rapid growth of cardiovascular drug market in China during the same period; and (ii) Softan's passing of the consistency evaluation in October 2018 and March 2019. Overall pricing level for Softan decreased slightly from 2018 to 2019, primarily due to price reductions resulting from increased competition in the centralized tender processes.

Anti-Infective Products. Our revenue from sales of anti-infective products increased by 9.7% from RMB579.5 million in 2018 to RMB635.7 million in 2019, primarily driven by increased revenue from sales of Newanti and ZAILIN. Our revenue generated from Newanti increased by 10.0% from RMB258.2 million in 2018 to RMB283.9 million in 2019, and our revenue generated from ZAILIN increased by 6.6% from RMB187.4 million in 2018 to RMB199.7 million in 2019.

Our promotion service income increased by 15.2% from RMB205.1 million in 2018 to RMB236.3 million in 2019, primarily due to increased revenue from promoting OLMETEC PLUS developed and manufactured by Daiichi Sankyo, which was mainly attributable to increased market share of such product.

Cost of Sales

Our cost of sales increased by 15.2% from RMB771.2 million in 2018 to RMB888.5 million in 2019, primarily due to (i) an increase in manufacturing costs of RMB43.1 million, which was mainly due to our increased sales volumes and completion of our relocation of one of production facilities in 2019 which resulted in increases in depreciation expenses and utility expenses; (ii) an increase in cost of raw materials of RMB42.9 million, which was mainly driven by our increased sales volumes; (iii) an increase in direct labor of RMB22.7 million mainly attributable to increased headcount and compensation level; and (iv) an increase in cost of promotion services of RMB15.8 million, which was in line with the increase in promotion service income.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 10.8% from RMB3,743.0 million in 2018 to RMB4,148.2 million in 2019. Our gross profit margin remained relatively stable at 82.9% in 2018 and 82.4% in 2019.

Gross profit margin of sales of pharmaceutical products remained relatively stable at 85.5% in 2018 and 84.9% in 2019.

Gross profit margin of promotion services increased from 28.3% in 2018 to 31.2% in 2019, primarily due to greater economies of scale we achieved in line with the increase in promotion service income during the same period.

Other Revenue and Other Net Gain

Our other revenue increased by 35.6% from RMB67.5 million in 2018 to RMB91.5 million in 2019, primarily due to an increase in government grants of RMB18.9 million.

Our other net gain decreased by 82.4% from RMB90.5 million in 2018 to RMB15.9 million in 2019, primarily due to (i) a decrease in net realized and unrealized gains on financial assets at fair value through profit or loss of RMB61.4 million mainly attributable to disposal of certain investments as well as the decreases in the fair value of certain investments in unlisted equity securities and units in investment funds; and (ii) net foreign exchange loss of RMB1.6 million in 2019, compared to net foreign exchange gain of RMB9.8 million in 2018, mainly attributable to the fluctuations in exchange rates of the U.S. dollars, Euro and Great British pounds against Renminbi.

Research and Development Costs

Our research and development costs increased by 60.2% from RMB447.1 million in 2018 to RMB716.4 million in 2019, primarily due to (i) an increase in staff costs of RMB101.2 million mainly attributable to increased headcount and compensation level; (ii) an increase in clinical trial costs of RMB66.3 million; (iii) an increase in cost of materials of RMB42.6

million; and (iv) an increase in outsourcing expenses of RMB31.7 million. The increases in clinical trial costs, cost of materials and outsourcing expenses were mainly attributable to new R&D projects initiated and continued R&D efforts on innovative and high end generic pharmaceuticals in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 9.3% from RMB2,221.8 million in 2018 to RMB2,016.2 million in 2019, primarily due to (i) a decrease in marketing and promotion expenses of RMB238.7 million and (ii) a decrease in travelling expenses of RMB126.2 million, both of which were mainly attributable to (i) significant increased sales volumes and market penetration of Endostar and Iremod, our category I innovative pharmaceuticals, as a result of their inclusion in the NRDL in August 2017, which reduced our need to incur expenses for the promotion of such products; and (ii) improved efficiency of our in-house sales and marketing team. The decrease was partially offset by an increase in staff costs of RMB161.0 million mainly attributable to increased compensation level.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 21.2% from RMB290.2 million in 2018 to RMB351.7 million in 2019, primarily due to (i) an increase in staff costs of RMB36.4 million mainly attributable to increased headcount and compensation level; and (ii) an increase in depreciation and amortization of RMB12.2 million mainly attributable to increased office spaces to support the growth of our business.

Finance Income and Finance Costs

Our finance income decreased by 4.4% from RMB36.3 million in 2018 to RMB34.7 million in 2019, primarily due to a decrease in interest income from loans to related parties of RMB8.9 million mainly attributable to a decrease in average balance of loans to related parties. This was partially offset by an increase in interest income from bank deposits of RMB7.5 million mainly attributable to an increase in average bank deposit balance.

Our finance costs increased by 143.9% from RMB47.5 million in 2018 to RMB116.0 million in 2019, primarily due to an increase in interest expenses on bank loans of RMB68.1 million mainly attributable to an increase in average bank borrowing balance.

Share of Losses of Associates

Share of losses of associates increased significantly from RMB1.6 million in 2018 to RMB8.1 million in 2019, primarily due to our investment in BCY Pharm and Xuancheng Menovo in 2019. We subsequently disposed of our 49% interest in Xuancheng Menovo to an Independent Third Party in July 2020.

Income Tax Expense

Our income tax expense decreased by 60.0% from RMB195.4 million in 2018 to RMB78.2 million in 2019, primarily due to (i) a reversal of withholding tax recognized in previous years on undistributed profits of our PRC subsidiaries as we obtained the approval from Hong Kong tax authorities in 2019, which has confirmed that our Company is entitled to a reduced withholding tax rate of 5% on dividends received from our PRC subsidiaries that are PRC resident enterprises; (ii) a change in dividend policy on distribution of retained earnings from our PRC subsidiaries in 2019, which resulted in a decrease in provision for withholding tax on undistributed profits; and (iii) an increase in research and development costs that were qualified for an additional 75% deduction for EIT purpose in accordance with the relevant PRC regulations. This decrease was partially offset by an increase in provision for PRC EIT, which was primarily due to the increase in profit before taxation.

Our effective income tax rate decreased from 21.0% in 2018 to 7.2% in 2019, primarily due to the same reasons.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 36.8% from RMB733.7 million in 2018 to RMB1,003.6 million in 2019. Our net profit margin, which represents profit for the year as a percentage of revenue, increased from 16.3% in 2018 to 19.9% in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 16.7% from RMB3,867.9 million in 2017 to RMB4,514.2 million in 2018, which was due to an increase of RMB472.2 million in revenue from sales of pharmaceutical products and an increase of RMB174.1 million in promotion service income.

Our revenue from sales of pharmaceutical products increased by 12.3% from RMB3,837.0 million in 2017 to RMB4,309.1 million in 2018, primarily due to increases in revenue from sales of oncology, autoimmune and cardiovascular products.

Oncology Products. Our revenue from sales of oncology products increased by 27.4% from RMB1,004.9 million in 2017 to RMB1,279.8 million in 2018, primarily driven by increased revenue from sales of Endostar. Our revenue generated from Endostar increased by 27.9% from RMB669.7 million in 2017 to RMB856.8 million in 2018, primarily as a result of its increased sales volume. The increase in the sales volume of Endostar was mainly driven by (i) increased demand for Endostar resulting from its inclusion in the NRDL in August 2017; and (ii) the rapid growth of the market for targeted therapy drugs for NSCLC in China during the same period. The increased revenue from sales of Endostar was offset by price reductions resulting from its entering into the NRDL through pricing negotiation in 2017.

Central Nervous System Products. Our revenue from sales of central nervous system products remained relatively stable at RMB1,276.1 million in 2017 and RMB1,202.0 million in 2018.

Autoimmune Products. Our revenue from sales of autoimmune products increased by 27.1% from RMB423.2 million in 2017 to RMB537.8 million in 2018, primarily driven by increased revenue from sales of Iremod. Our revenue generated from Iremod increased by 83.5% from RMB159.0 million in 2017 to RMB291.7 million in 2018, primarily as a result of its increased sales volume. The increase in the sales volume of Iremod was mainly driven by (i) increased demand for Iremod resulting from its inclusion in the NRDL in August 2017; and (ii) the rapid growth of conventional synthetic DMARD market in China during the same period. Overall pricing level for Iremod remained relatively stable from 2017 to 2018.

Cardiovascular Products. Our revenue from sales of cardiovascular products increased by 45.1% from RMB243.4 million in 2017 to RMB353.1 million in 2018, primarily driven by increased revenue from sales of Softan. Our revenue generated from Softan increased by 55.0% from RMB179.2 million in 2017 to RMB277.7 million in 2018, primarily as a result of its increased sales volume. The increase in the sales volume of Softan was mainly driven by (i) the rapid growth of cardiovascular drug market in China; and (ii) increased coverage and penetration of county-level, community and rural hospitals and other medical institutions. Overall pricing level for Softan decreased slightly from 2017 to 2018, primarily due to price reductions resulting from increased competition in the centralized tender processes.

Anti-Infective Products. Our revenue from sales of anti-infective products remained relatively stable at RMB564.7 million in 2017 and RMB579.5 million in 2018.

Our revenue from promotion services increased significantly from RMB30.9 million in 2017 to RMB205.1 million in 2018, primarily due to gradual implementation of "dual invoicing system" across China from early 2017. Since then, we started to provide promotion services to certain pharmaceutical companies. Please see "Regulatory Overview – Major Regulatory Reforms in the Pharmaceutical Industry – Dual Invoicing System" for more details about the "dual invoicing system."

Cost of Sales

Our cost of sales increased by 31.5% from RMB586.3 million in 2017 to RMB771.2 million in 2018, primarily due to (i) an increase in cost of promotion services of RMB122.9 million, which was in line with the increase in promotion service income; and (ii) (a) an increase in cost of raw materials of RMB54.6 million and (b) an increase in manufacturing costs of RMB15.6 million, both of which were mainly driven by our increased sales volumes. This increase was partially offset by a decrease in cost of distributed products of RMB17.1 million.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 14.1% from RMB3,281.6 million in 2017 to RMB3,743.0 million in 2018. Our gross profit margin decreased from 84.8% in 2017 to 82.9% in 2018. Such decrease was due to a higher proportion of revenue generated from promotion services, whose gross profit margin was lower than the gross profit margin of sales of pharmaceutical products.

Gross profit margin of sales of pharmaceutical products remained relatively stable at 85.3% in 2017 and 85.5% in 2018.

Gross profit margin of promotion services increased from 22.3% in 2017 to 28.3% in 2018, primarily due to greater economies of scale we achieved in line with the significant increase in promotion service income during the same period.

Other Revenue and Other Net (Loss)/Gain

Our other revenue decreased by 4.1% from RMB70.4 million in 2017 to RMB67.5 million in 2018, primarily due to (i) gains on transfer of technology know-how of RMB9.9 million we recognized in 2017, while we did not record such gains in 2018; and (ii) a decrease in government grants of RMB5.2 million. This decrease was partially offset by an increase in rental income of RMB7.0 million.

We recorded other net loss of RMB175.9 million in 2017, compared to other net gain of RMB90.5 million in 2018, primarily due to (i) net realized and unrealized gains on financial assets at fair value through profit or loss of RMB81.7 million in 2018, compared to net realized and unrealized losses on financial assets at fair value through profit or loss of RMB166.5 million in 2017, mainly attributable to fluctuations in the fair value of certain investments in unlisted equity securities and units in investment funds; and (ii) net foreign exchange gain of RMB9.8 million in 2018, compared to net foreign exchange loss of RMB10.3 million in 2017, mainly attributable to the fluctuations in exchange rates of the United States dollars, Euro and Great British pounds against Renminbi.

Research and Development Costs

Our research and development costs increased by 110.6% from RMB212.3 million in 2017 to RMB447.1 million in 2018, primarily due to (i) an increase in staff costs of RMB68.7 million mainly attributable to increased headcount and compensation level; and (ii) an increase in outsourcing expenses of RMB78.3 million mainly attributable to new R&D projects initiated, R&D advancement of innovative and high end generic pharmaceuticals and continued efforts on consistency evaluation of generic pharmaceuticals in 2018.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB2,155.7 million in 2017 and RMB2,221.8 million in 2018.

Administrative and Other Operating Expenses

Our administrative and other operating expenses remained relatively stable at RMB277.5 million in 2017 and RMB290.2 million in 2018.

Finance Income and Finance Costs

Our finance income increased by 44.6% from RMB25.1 million in 2017 to RMB36.3 million in 2018, primarily due to an increase in interest income from loans to related parties of RMB10.2 million mainly attributable to an increase in average balance of loans to related parties.

Our finance costs decreased by 18.7% from RMB58.4 million in 2017 to RMB47.5 million in 2018, primarily due to a decrease in interest expenses on bank loans of RMB12.6 million mainly attributable to a decrease in average bank borrowing balance.

Share of Losses of Associates

Share of losses of associates increased from nil in 2017 to RMB1.6 million in 2018, primarily due to our investment in Nanjing Bioheng Biotech Co., Ltd. (南京北恒生物科技有限公司) in 2018.

Income Tax Expense

Our income tax expense increased by 33.0% from RMB146.9 million in 2017 to RMB195.4 million in 2018, primarily due to an increase in provision for PRC EIT mainly attributable to the increase in profit before taxation. Our effective income tax rate decreased from 29.5% in 2017 to 21.0% in 2018, primarily because (i) in accordance with the relevant PRC regulations, in 2017, our research and development costs were only qualified for an additional 50% deduction for EIT purpose, while in 2018, our research and development costs were qualified for an additional 75% deduction for EIT purpose; and (ii) our research and development costs that were qualified for such additional deduction for EIT purpose increased in 2018.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 109.4% from RMB350.4 million in 2017 to RMB733.7 million in 2018. Our net profit margin, which represents profit for the year as a percentage of revenue, increased from 9.1% in 2017 to 16.3% in 2018.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements mainly through cash generated from operating activities and bank borrowings. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had cash and cash equivalents of RMB572.6 million, RMB1,187.6 million, RMB354.8 million and RMB595.9 million, respectively.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Operating profit before changes in working capital	817,604	985,937	1,328,540	653,722	414,050
Changes in working capital	244,946	(55,437)	(290,880)	190,821	(498,433)
Tax paid	(123,474)	(154,683)	(264,857)	(190,191)	(143,275)
Net cash generated from/(used in) operating activities	939,076	775,817	772,803	654,352	(227,658)
Net cash used in/generated from investing activities	(508,390)	(472,401)	(592,928)	(200,954)	496,173
Net cash (used in)/generated from financing activities	(347,317)	311,285	(1,012,950)	(1,029,062)	(26,805)
Net increase/(decrease) in cash and cash equivalents	83,369	614,701	(833,075)	(575,664)	241,710
Cash and cash equivalents at the beginning of the year/period	489,333	572,584	1,187,647	1,187,647	354,804
Effect of foreign exchange rate changes	(118)	362	232	(246)	(598)
Cash and cash equivalents at the end of the year/period	572,584	1,187,647	354,804	611,737	595,916

Operating Activities

During the Track Record Period, we derived our cash inflow from operating activities primarily through the sales of pharmaceutical products, while cash outflow from operating activities primarily comprised payments for purchases of raw materials, staff costs, income tax, research and development costs, selling and distribution expenses, administrative and other operating expenses. Our cash generated from operating activities reflects our profit before taxation, adjusted for non-cash and non-operating items, such as depreciation and amortization, net finance costs and net realized and unrealized gains/losses on financial assets at fair value through profit or loss, and the changes in working capital, such as increases or decreases in inventories, trade and other receivables, trade and other payables and pledged deposits and restricted deposits.

Our net cash used in operating activities for the six months ended June 30, 2020 was RMB227.7 million. This cash outflow was primarily attributable to (i) an increase in trade and bills receivables of RMB322.2 million mainly due to the prolonged settlement of trade receivables by our customers in light of the COVID-19 outbreak; (ii) income tax paid of RMB143.3 million; (iii) a decrease in other payables and accruals of RMB86.6 million mainly attributable to a decrease in payables for staff related costs as a result of payment of 2019 annual bonus; and (iv) an increase in inventories of RMB52.7 million mainly due to the unanticipated decrease in demand for certain of our products caused by the COVID-19 outbreak. This cash outflow was partially offset by (i) profit before taxation of RMB224.7 million, as adjusted to reflect non-cash and non-operating items, which principally included depreciation of property, plant and equipment of RMB97.8 million and net finance costs of RMB68.7 million. In conclusion, our operating cash outflow for the six months ended June 30, 2020 was primarily due to (i) a decrease in profit before taxation mainly attributable to (a) a decrease in our sales and (b) increased research and development costs to support our continued R&D efforts; and (ii) the prolonged settlement of trade receivables by our customers in light of the COVID-19 outbreak. We expect to improve our operating cash flow position through (i) increases in our sales and profitability (please see "– Recent Developments on Our Financial Performance" for more details), which are expected to further enhance our operating efficiency and create greater economies of scale; and (ii) strengthening our credit management and collection efforts as the COVID-19 outbreak has been contained in China.

Our net cash generated from operating activities for the six months ended June 30, 2019 was RMB654.4 million. This cash inflow was primarily attributable to (i) profit before taxation of RMB550.1 million, as adjusted to reflect non-cash and non-operating items, which principally included depreciation of property, plant and equipment of RMB59.0 million and net finance costs of RMB39.9 million; (ii) an increase in other payables and accruals of RMB138.6 million mainly attributable to an increase in accrued expenses generally in line with the growth of our business; and (iii) an increase in trade and bills payables of RMB100.4 million mainly attributable to our increased purchases in line with the growth of our business. This cash inflow was partially offset by income tax paid of RMB190.2 million.

Our net cash generated from operating activities in 2019 was RMB772.8 million. This cash inflow was primarily attributable to (i) profit before taxation of RMB1,081.8 million, as adjusted to reflect non-cash and non-operating items, which principally included depreciation of property, plant and equipment of RMB146.9 million and net finance costs of RMB81.2 million; (ii) an increase in other payables and accruals of RMB174.2 million mainly attributable to (a) an increase in accrued expenses generally in line with the growth of our business and (b) an increase in payables for staff related costs of primarily due to increased headcount and compensation level; and (iii) a decrease in pledged deposits for issuance of bill payables and letters of credit and restricted deposits of RMB51.0 million. This cash inflow was partially offset by (i) an increase in trade and bills receivables of RMB386.4 million generally in line with the increase in our sales; (ii) income tax paid of RMB264.9 million; (iii) a decrease in trade and bills payables of RMB52.7 million mainly because a larger amount of bank acceptance notes remained outstanding at 2018 year end; and (iv) an increase in prepayments, deposits and other receivables of RMB39.8 million mainly attributable to (a) an increase in value added tax recoverable mainly due to our increased expenditures on property, plant and equipment and (b) an increase in prepayment for research and development costs as a result of new R&D projects initiated in 2019.

Our net cash generated from operating activities in 2018 was RMB775.8 million. This cash inflow was primarily attributable to (i) profit before taxation of RMB929.0 million, as adjusted to reflect non-cash and non-operating items, which principally included depreciation of property, plant and equipment of RMB103.4 million and net realized and unrealized gains on financial assets at fair value through profit or loss of RMB81.7 million; (ii) an increase in other payables and accruals of RMB207.1 million mainly attributable to an increase in accrued expenses generally in line with the growth of our business; and (iii) an increase in trade and bills payables of RMB92.5 million mainly because a larger amount of bank acceptance notes remained outstanding at 2018 year end. This cash inflow was partially offset by (i) an increase in trade and bills receivables of RMB254.6 million generally in line with the increase in our sales; (ii) income tax paid of RMB154.7 million; (iii) an increase in inventories of RMB49.2 million mainly attributable to increase in our production volume in an effort to accommodate increased demand for our products, which was in line with the increase in our sales; and (iv) an increase in pledged deposits for issuance of bill payables and letters of credit and restricted deposits of RMB39.7 million.

Our net cash generated from operating activities in 2017 was RMB939.1 million. This cash inflow was primarily attributable to (i) profit before taxation of RMB497.3 million, as adjusted to reflect non-cash and non-operating items, which principally included net realized and unrealized losses on financial assets at fair value through profit or loss of RMB166.5 million, depreciation of property, plant and equipment of RMB87.1 million and net finance costs of RMB33.3 million; (ii) an increase in other payables and accruals of RMB209.1 million mainly attributable to an increase in accrued expenses generally in line with the growth of our business; and (iii) an increase in trade and bills payables of RMB45.3 million mainly attributable to our increased purchases in line with the growth of our business. This cash inflow was partially offset by (i) income tax paid of RMB123.5 million; and (ii) an increase in trade and bills receivables of RMB26.4 million generally in line with the increase in our sales.

Investing Activities

During the Track Record Period, our cash used in investing activities mainly reflected our cash used in payment for acquisition of financial assets measured at fair value through profit or loss, payment for acquisition of property, plant and equipment and loans to related parties, while our cash generated from investing activities primarily comprised proceeds from disposal of financial assets measured at fair value through profit or loss, repayment of loans to related parties and asset-related government grants.

Our net cash generated from investing activities for the six months ended June 30, 2020 was RMB496.2 million. This cash inflow was primarily attributable to (i) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB637.9 million; and (ii) proceeds from disposal of financial assets at fair value through other comprehensive income of RMB77.9 million. This cash inflow was partially offset by (i) payment for the acquisition of property, plant and equipment of RMB168.4 million, which were primarily related to expenditures on construction in progress and purchase of machinery and equipment; and (ii) payment for acquisition of financial assets measured at fair value through profit or loss of RMB85.5 million.

Our net cash used in investing activities for the six months ended June 30, 2019 was RMB201.0 million. This cash outflow was primarily attributable to (i) payment for the acquisition of property, plant and equipment of RMB245.6 million, which were primarily related to expenditures on construction in progress and purchase of machinery and equipment; (ii) new loans to related parties of RMB245.0 million; and (iii) payment for acquisition of financial assets measured at fair value through profit or loss of RMB135.8 million. This cash outflow was partially offset by proceeds from disposal of financial assets measured at fair value through profit or loss of RMB419.7 million.

Our net cash used in investing activities in 2019 was RMB592.9 million. This cash outflow was primarily attributable to (i) payment for acquisition of financial assets measured at fair value through profit or loss of RMB1,273.0 million; (ii) payment for acquisition of property, plant and equipment of RMB507.7 million, which were primarily related to expenditures on construction in progress and purchase of machinery and equipment; (iii) new loans to related parties of RMB416.6 million; (iv) payments for deposits for investment in 3D Medicines and TCRCure Beijing of RMB260.4 million; (v) payment for acquisition of interest in BCY Pharm and Xuancheng Menovo of RMB149.1 million; and (vi) payment for acquisition of financial assets measured at fair value through other comprehensive income of RMB137.1 million. This cash outflow was partially offset by (i) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB973.0 million; (ii) repayment of loans to related parties of RMB900.3 million; (iii) an increase in asset-related government grants of RMB166.5 million; and (iv) interest received of RMB109.9 million.

Our net cash used in investing activities in 2018 was RMB472.4 million. This cash outflow was primarily attributable to (i) new loans to related parties of RMB940.7 million; (ii) payment for acquisition of financial assets measured at fair value through profit or loss of RMB896.7 million; (iii) payment for acquisition of property, plant and equipment of RMB335.2 million, which were primarily related to expenditures on construction in progress and purchase of machinery and equipment; and (iv) a decrease in asset-related government grants of RMB260.6 million. This cash outflow was partially offset by (i) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB1,154.0 million; and (ii) repayment of loans to related parties of RMB783.4 million.

Our net cash used in investing activities in 2017 was RMB508.4 million. This cash outflow was primarily attributable to (i) payment for acquisition of financial assets measured at fair value through profit or loss of RMB1,407.8 million; (ii) payment for acquisition of property, plant and equipment of RMB292.2 million, which were primarily related to expenditures on construction in progress and purchase of machinery and equipment; and (iii) new loans to related parties of RMB263.7 million. This cash outflow was partially offset by (i) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB804.6 million; (ii) an increase in asset-related government grants of RMB527.1 million; and (iii) repayment of loans to related parties of RMB119.8 million.

Financing Activities

During the Track Record Period, our cash inflow from financing activities mainly comprised proceeds from bank loans, while we used cash in financing activities primarily for repayment of bank loans, payment of dividends, pledged deposits for banking facilities and deemed distribution upon the Reorganization and business combination under common control.

Our net cash used in financing activities for the six months ended June 30, 2020 was RMB26.8 million. This cash outflow was primarily attributable to (i) repayment of bank loans of RMB858.0 million; and (ii) an increase in pledged deposits for banking facilities of RMB613.0 million. This cash outflow was partially offset by proceeds from new bank loans of RMB1,544.8 million.

Our net cash used in financing activities for the six months ended June 30, 2019 was RMB1,029.1 million. This cash outflow was primarily attributable to (i) dividends paid of RMB912.1 million; (ii) repayment of bank loans of RMB888.5 million; and (iii) an increase in pledged deposits for banking facilities of RMB390.0 million. This cash outflow was partially offset by proceeds from new bank loans of RMB1,276.4 million.

Our net cash used in financing activities in 2019 was RMB1,013.0 million. This cash outflow was primarily attributable to (i) repayment of bank loans of RMB1,883.5 million; (ii) dividends paid of RMB912.1 million; (iii) deemed distribution upon the Reorganization and business combination under common control of RMB464.6 million; (iv) repayment of loans from related parties of RMB141.8 million; and (v) interest paid of RMB141.2 million. This cash outflow was partially offset by proceeds from new bank loans of RMB2,605.6 million. Simcere Shanghai Pharmaceutical became a subsidiary of Hainan BioSciKin as part of the spin-off arrangement of Hainan BioScikin in 2015 and we acquired the entire equity interest in Simcere Shanghai Pharmaceutical from BioSciKin Medical, a wholly-owned subsidiary of Hainan BioSciKin for a consideration of RMB464.6 million in 2019, which was presented as deemed distribution upon the Reorganization and business combination under common control as Simcere Shanghai Pharmaceutical has been under common control. Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Acquisition of Subsidiaries from BioSciKin Medical – Simcere Shanghai Pharmaceutical" for more details.

Our net cash generated from financing activities in 2018 was RMB311.3 million. This cash inflow was primarily attributable to (i) proceeds from new bank loans of RMB1,646.8 million; and (ii) proceeds from new loans from related parties of RMB296.9 million. This cash inflow was partially offset by (i) repayment of bank loans of RMB743.5 million; (ii) dividends paid of RMB549.1 million; and (iii) repayment of loans from related parties of RMB238.6 million.

Our net cash used in financing activities in 2017 was RMB347.3 million. This cash outflow was primarily attributable to (i) repayment of bank loans of RMB843.1 million; and (ii) an increase in pledged deposits for banking facilities of RMB193.9 million. This cash outflow was partially offset by proceeds from new bank loans of RMB774.5 million.

NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth our current assets, current liabilities and net current assets/(liabilities) as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2017	2018	2019	2020	2020
			(RMB'000)		*(unaudited)*
Current Assets					
Financial assets at fair value through profit or loss	506,283	261,062	543,938	–	–
Trading securities	2,858	2,286	3,058	2,956	3,395
Inventories	187,241	233,869	248,174	294,944	279,240
Trade and bills receivables	697,975	951,310	1,336,916	1,651,492	1,864,945
Prepayments, deposits and other receivables	80,993	80,555	119,483	123,926	139,523
Taxation recoverable	2,442	18,958	306	30,737	25,014
Loans to related parties and third parties	527,443	678,003	–	–	–
Pledged deposits	194,068	240,569	290,962	904,477	926,180
Restricted deposits	12,134	11,369	–	1,501	1,500
Cash and cash equivalents	572,584	1,187,647	354,804	595,916	371,166
Total current assets	2,784,021	3,665,628	2,897,641	3,605,949	3,610,963
Current Liabilities					
Bank loans	855,580	1,979,321	1,643,978	2,279,197	2,227,333
Loans from related parties	138,855	203,852	–	–	–
Lease liabilities	19,955	13,678	26,206	37,975	37,834
Trade and bills payables	215,100	307,557	254,851	220,459	215,136
Other payables and accruals	1,262,628	1,506,967	1,417,945	1,325,363	1,325,600
Taxation payable	39,673	100,025	85,525	137	28
Total current liabilities	2,531,791	4,111,400	3,428,505	3,863,131	3,805,931
Net current assets/(liabilities)	252,230	(445,772)	(530,864)	(257,182)	(194,968)

We had net current liabilities of RMB195.0 million as of August 31, 2020, consisting of current assets of RMB3,611.0 million and current liabilities of RMB3,805.9 million, which represented a decrease of RMB62.2 million from our net current liabilities of RMB257.2 million as of June 30, 2020. This decrease was primarily due to an increase in trade and bills receivables of RMB213.5 million, which was partially offset by a decrease in cash and cash equivalents of RMB224.8 million.

We had net current liabilities of RMB257.2 million as of June 30, 2020, consisting of current assets of RMB3,605.9 million and current liabilities of RMB3,863.1 million, which represented a decrease of RMB273.7 million from our net current liabilities of RMB530.9 million as of December 31, 2019. This decrease was primarily due to (i) an increase in pledged deposits of RMB613.5 million mainly to secure our bank loans; (ii) an increase in trade and bills receivables of RMB314.6 million mainly due to the prolonged settlement of trade receivables by our customers in light of the COVID-19 outbreak; and (iii) an increase in cash and cash equivalents of RMB241.1 million. This decrease was partially offset by (i) an increase in bank loans of RMB635.2 million; and (ii) a decrease in financial assets at fair value through profit or loss of RMB543.9 million.

We had net current liabilities of RMB530.9 million as of December 31, 2019, consisting of current assets of RMB2,897.6 million and current liabilities of RMB3,428.5 million, which represented an increase of RMB85.1 million from our net current liabilities of RMB445.8 million as of December 31, 2018. This increase was primarily due to (i) a decrease in cash and cash equivalents of RMB832.8 million; and (ii) a decrease in loans to related parties and third parties of RMB678.0 million. This increase was partially offset by (i) an increase in trade and bills receivables of RMB385.6 million generally in line with the increase in our sales; (ii) a decrease in bank loans of RMB335.3 million; (iii) an increase in financial assets at fair value through profit or loss of RMB282.9 million; and (iv) a decrease in loans from related parties of RMB203.9 million.

We had net current liabilities of RMB445.8 million as of December 31, 2018, consisting of current assets of RMB3,665.6 million and current liabilities of RMB4,111.4 million, compared to our net current assets of RMB252.2 million as of December 31, 2017. This was primarily due to (i) an increase in bank loans of RMB1,123.7 million; (ii) a decrease in financial assets at fair value through profit or loss of RMB245.2 million; and (iii) an increase in other payables and accruals of RMB244.3 million, mainly attributable to (a) an increase in dividends payable as a result of dividends declared in 2018 and (b) an increase in accrued expenses generally in line with the growth of our business. This was partially offset by (i) an increase in cash and cash equivalents of RMB615.1 million; (ii) an increase in trade and bills receivables of RMB253.3 million generally in line with the increase in our sales; and (iii) an increase in loans to related parties and third parties of RMB150.6 million.

As of December 31, 2017, we had net current assets of RMB252.2 million, consisting of current assets of RMB2,784.0 million and current liabilities of RMB2,531.8 million.

We plan to further improve our net current liabilities position through (i) cash generated from our business operations, (ii) net proceeds from the Global Offering and (iii) debt restructuring to reduce the percentage of short-term bank loans.

Working Capital Sufficiency

Our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus in light of the following:

- net cash generated from operating activities;
- strong and long-term relationship with major commercial banks and financial institutions in China, which provide us with additional support of working capital; and
- the estimated net proceeds from the Global Offering.

CERTAIN BALANCE SHEET ITEMS

Inventories

The table below sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Raw materials	51,782	71,695	82,364	91,413
Semi-finished goods	30,160	29,886	40,070	62,017
Finished goods	111,915	139,902	131,342	151,329
Write down of inventories	(6,616)	(7,614)	(5,602)	(9,815)
Total	187,241	233,869	248,174	294,944

Our inventories increased by 24.9% from RMB187.2 million as of December 31, 2017 to RMB233.9 million as of December 31, 2018, reflecting an increase in finished goods of RMB28.0 million and an increase in raw materials of RMB19.9 million, primarily due to increase in our production volume in an effort to accommodate increased demand for our products, which were in line with the increase in our sales.

Our inventories increased by 6.1% from RMB233.9 million as of December 31, 2018 to RMB248.2 million as of December 31, 2019, reflecting an increase in semi-finished goods of RMB10.2 million and an increase in raw materials of RMB10.7 million, primarily due to increase in our production volume in an effort to accommodate increased demand for our products, which were in line with the increase in our sales. This increase was partially offset by a decrease in finished goods of RMB8.6 million.

Our inventories increased by 18.8% from RMB248.2 million as of December 31, 2019 to RMB294.9 million as of June 30, 2020, reflecting an increase in raw materials of RMB9.0 million, an increase in semi-finished goods of RMB21.9 million and an increase in finished goods of RMB20.0 million, primarily due to the unanticipated decrease in demand for certain of our products caused by the COVID-19 outbreak.

We made provisions to write down our inventories to the net realizable value if their expected net realizable value is lower than the cost of the inventories. Specifically, we make provision for finished goods primarily with a shelf life of less than six months.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our inventory turnover days were 122.6 days, 99.7 days, 99.0 days and 127.3 days, respectively. We calculate the inventory turnover days using the average of the opening and ending inventory balances for the period, net of write down of inventories, divided by cost of sales for the relevant period, multiplied by the number of days for the relevant period (365 days for 2017, 2018 and 2019 and 182 days for the six months ended June 30, 2020). Inventory turnover days decreased from 122.6 days in 2017 to 99.7 days in 2018, primarily because we maintained a higher inventory level at the year-end of 2016 in anticipation of our relocation of a production workshop and production transfer of one of our products between our production facilities commencing from 2017. Inventory turnover days remained relatively stable at 99.7 days in 2018 and 99.0 days in 2019. Inventory turnover days increased from 99.0 days in 2019 to 127.3 days in the six months ended June 30, 2020, primarily due to the unanticipated decrease in demand for certain of our products caused by the COVID-19 outbreak.

As of August 31, 2020, RMB126.8 million, or approximately 41.6%, of our gross inventories as of June 30, 2020 had been utilized or sold.

Trade and Bills Receivables

The following tables set forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Trade receivables	286,232	554,059	985,117	1,284,758
Bills receivable	422,477	409,249	364,585	387,130
	708,709	963,308	1,349,702	1,671,888
Less: loss allowance	(10,734)	(11,998)	(12,786)	(20,396)
Total	697,975	951,310	1,336,916	1,651,492

Our trade receivables represent the outstanding amounts due from our customers for our products and services. We typically grant our direct sales customers credit terms of 60 days and grant our distributors credit terms of 30 to 90 days, with longer terms granted to selected distributors with whom we have built a strong business and financial track record. We seek to maintain strict credit control over our outstanding receivables, and overdue balances are reviewed regularly and actively monitored by senior management to minimize credit risk.

Our bills receivable represents short-term bank acceptance notes received from our customers in lieu of cash payments. Our bills receivable generally ranges from three to 12 months from the date of issuance.

Our trade and bills receivables increased by 36.3% from RMB698.0 million as of December 31, 2017 to RMB951.3 million as of December 31, 2018, and further increased by 40.5% to RMB1,336.9 million as of December 31, 2019, which was generally in line with the increase in our sales.

Our trade and bills receivables increased by 23.5% from RMB1,336.9 million as of December 31, 2019 to RMB1,651.5 million as of June 30, 2020, primarily due to the prolonged settlement of trade receivables by our customers in light of the COVID-19 outbreak, which, to the best knowledge of the Company, was mainly attributable to delay in payment by public medical institutions to our distributors caused by the COVID-19 outbreak. We are not aware of any of our major customers and trade debtors having financial difficulties as a result of the COVID-19 outbreak, and we do not have any material disputes or litigations with our major trade debtors as of June 30, 2020.

The following table sets forth an aging analysis of our trade and bills receivables, based on invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Within 3 months	504,533	814,415	1,072,544	909,645
Over 3 months but within 12 months	191,542	136,663	264,272	737,286
Over 12 months	1,900	232	100	4,561
Total	697,975	951,310	1,336,916	1,651,492

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our trade receivables turnover days were 27.4 days, 33.1 days, 54.9 days and 105.7 days, respectively. We calculate the trade receivables turnover days using the average of the opening and ending trade receivable balances for the period, net of loss allowance, divided by revenue for the relevant period, multiplied by the number of days for the relevant period (365 days for 2017, 2018 and 2019 and 182 days for the six months ended June 30, 2020). Trade receivables turnover days increased from 27.4 days in 2017 to 33.1 days in 2018, and further increased to 54.9 days in 2019, primarily because after taking into consideration of our solid cash flow position, we required our distributors to satisfy more stringent requirements on credit terms and payment method before certain discounts were granted, resulting in prolonged payment cycle of some of our distributors. According to Frost & Sullivan, our trade receivables turnover days for the years ended December 31, 2017, 2018 and 2019 are in line with those of our market peers. Trade receivables turnover days increased from 54.9 days in 2019 to 105.7 days for the six months ended June 30, 2020, primarily due to (i) a decrease in our sales; and (ii) the prolonged settlement of trade receivables by our customers in light of the COVID-19 outbreak.

As of August 31, 2020, RMB523.1 million, or approximately 31.7% of our trade and bills receivables as of June 30, 2020 had been subsequently settled. In particular, as of August 31, 2020, RMB412.1 million, or approximately 32.1% of our trade receivables as of June 30, 2020 had been subsequently settled.

Prepayments, Deposits and Other Receivables

The following tables set forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Current portion				
Prepayments for raw materials and expenses	31,027	31,772	52,215	52,033
Value added tax recoverable	11,945	9,576	30,337	27,084
Other deposits and receivables	40,949	42,485	41,078	49,008
Less: loss allowance	(2,928)	(3,278)	(4,147)	(4,199)
Sub-total	80,993	80,555	119,483	123,926
Non-current portion				
Prepayments for property, plant and equipment	10,772	21,653	64,739	77,781
Deposits for investments	–	–	260,351	50,000
Sub-total	10,772	21,653	325,090	127,781
Total	91,765	102,208	444,573	251,707

Prepayments for raw materials and expenses mainly comprise prepayment for research and development costs, prepayment for procurement of raw materials and prepayment for other operating costs and expenses. Value added tax recoverable represent value added taxes paid with respect to our procurement that can be credited against future value added tax payables. Other deposits and receivables primarily comprise staff advances, deposits and interest receivable.

Current portion of prepayments, deposits and other receivables remained relatively stable at RMB81.0 million as of December 31, 2017 and RMB80.6 million as of December 31, 2018. Current portion of prepayments, deposits and other receivables increased by 48.3% from RMB80.6 million as of December 31, 2018 to RMB119.5 million as of December 31, 2019, primarily due to (i) an increase in value added tax recoverable of RMB20.8 million, mainly attributable to our increased expenditures on property, plant and equipment; and (ii) an increase

in prepayments for raw materials and expenses of RMB20.4 million, mainly attributable to an increase in prepayment for research and development costs as a result of new R&D projects initiated in 2019. Current portion of prepayments, deposits and other receivables remained relatively stable at RMB119.5 million as of December 31, 2019 and RMB123.9 million as of June 30, 2020.

Non-current portion of prepayments, deposits and other receivables increased by 101.0% from RMB10.8 million as of December 31, 2017 to RMB21.7 million as of December 31, 2018, reflecting an increase in prepayments for property, plant and equipment of RMB10.9 million, mainly attributable to prepayment for purchases of production and R&D equipment. Non-current portion of prepayments, deposits and other receivables increased significantly from RMB21.7 million as of December 31, 2018 to RMB325.1 million as of December 31, 2019, reflecting (i) an increase in deposits for investments of RMB260.4 million, as a result of amounts we prepaid for investment in 3D Medicines and TCRCure Beijing; and (ii) an increase in prepayments for property, plant and equipment of RMB43.1 million, mainly attributable to prepayment for the construction of our new R&D center in Boston, the United States. Non-current portion of prepayments, deposits and other receivables decreased by 60.7% from RMB325.1 million as of December 31, 2019 to RMB127.8 million as of June 30, 2020, primarily due to a decrease in deposits for investments of RMB210.4 million as a result of the completion of investment in 3D Medicines.

Loans to Related Parties and Third Parties

We recorded loans to related parties and third parties with an aggregate amount of RMB527.4 million, RMB678.0 million, nil and nil as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Please see "– Related Party Transactions" for details about loans to related parties and "– Description of Key Statements of Profit or Loss Items – Finance Income/(Costs)" for details about loans to third parties. Pursuant to the "Provisions of the Supreme People's Court on the Application of Laws to the Hearing of Private Lending Cases" (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Provisions**"), which became effective on September 1, 2015, when a private lending contract is necessary for the purposes of production and business operations between legal persons, unless circumstances under the Article 52 of the Contract Law of the PRC (《中華人民共和國合同法》) and Article 14 of the Provisions exist, if the party claims that the private lending contract is valid, the People's Court shall uphold such claim. As our loans to related parties and third parties were necessary for production and business operation purposes and did not contravene Article 52 of the Contract Law of the PRC or Article 14 of the Provisions, our PRC Legal Advisors have advised us that the private lending contracts in connection with such loans are valid.

Pledged Deposits and Restricted Deposits

The table below sets forth a breakdown of our pledged deposits and restricted deposits as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Pledged deposits for				
– issuance of bill payables and letters of credit	68	40,569	962	1,477
– banking facilities	194,000	200,000	290,000	903,000
Total	194,068	240,569	290,962	904,477
Restricted deposits for				
– research and development projects	12,134	11,369	–	1,501
Total	12,134	11,369	–	1,501

Our pledged deposits represent deposits pledged to the banks to guarantee our bank acceptance notes and letters of credit or secure bank loans granted to us, which will be released upon settlement of the relevant bank acceptance notes and letters of credit or repayment of the relevant banking loans.

Our restricted deposits represent government subsidies we received which are restricted for use to fund certain research and development projects.

Financial Assets at Fair Value through Profit or Loss and Trading Securities

The following tables set forth a breakdown of our financial assets at fair value through profit or loss and trading securities as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	(RMB'000)			
Current portion of financial assets at fair value through profit or loss				
Structured deposits and wealth management products	506,283	261,062	543,938	–
	506,283	261,062	543,938	–
Non-current portion of financial assets at fair value through profit or loss				
Unlisted investments	36,219	50,249	64,115	85,741
Unlisted units in investment funds	733,488	809,415	837,726	811,833
	769,707	859,664	901,841	897,574
Total	1,275,990	1,120,726	1,445,779	897,574
Trading securities – current				
Listed equity securities	2,858	2,286	3,058	2,956

Current portion of financial assets at fair value through profit or loss represents investments in short-term structured deposits and wealth management products issued by commercial banks in China.

Non-current portion of financial assets at fair value through profit or loss represents investments in equity securities of private companies and units in investment funds. Such investment funds and private companies are incorporated in the PRC, the United States, the Cayman Islands and Singapore and primarily invest in or engage in healthcare and pharmaceutical sectors.

Trading securities represent investments in listed equity securities, whose fair value is determined based on the closing prices quoted in active markets.

The investment business department (投資業務部) and business development department (業務發展部) at our headquarters are responsible for managing our investment in financial assets, including formulating annual investment plans for the following year at each year end. Annual investment plans covering details of the proposed investment projects are required to be submitted to the heads of investment business department and business development department for review and approval.

We have established internal procedures to manage our investment in financial assets, including:

- ***Selection and initiation of investment projects***: Our investment business department and business development department select investment projects with due and careful consideration based on industry research, product research and recommendations from our senior sales and marketing personnel or reliable third parties. Our investment business department and business development department prepare project proposal, which assesses the value and potential of the investment projects. A selected investment project will be formally initiated after being approved by our chief executive officer and heads of various business departments;

- ***Due diligence***: When an investment project obtains the initiation approval, a due diligence team consisting of personnel from finance, legal, sales and marketing, R&D and/or production departments will be formed to conduct due diligence investigations on it. Heads of our investment business department and business development department, together with other team members, will review, analyze and approve the due diligence report; and

- ***Investment decisions***: Our chief executive officer and heads of various business departments will review the due diligence report and make final decisions on whether to invest in a project. Once an investment decision is made, our finance department and legal department will proceed to review the specific investment agreement in accordance with our internal policies.

Interest in Associates

We record interest in associates of nil, RMB18.4 million, RMB159.4 million and RMB330.1 million, respectively, as of December 31, 2017, 2018 and 2019 and June 30, 2020. We assess whether this is any objective evidence that our interest in the associates are impaired at the end of each reporting period by considering the associates' business development process, any significant financial difficulty, default or bankruptcy encountered by the associates and adverse change in technological, market, economic or legal environment. Based

on such assessment, we have concluded that no impairment indicator was identified at the end of each reporting period and no impairment loss of interest in associates is considered necessary to be recognized in our consolidated statements of profit or loss.

In particular, we completed the investment in 3D Medicines on June 17, 2020. 3D Medicines was loss making for the six months ended June 30, 2020 as it was still in the stage of research and development of innovative biopharmaceutical products and immune-oncology therapies, which is in line with other pre-revenue biotechnology companies. Having considered the relevant factors, no impairment indicator was identified for our investment in 3D Medicines as of June 30, 2020 and no impairment loss was recognized.

Trade and Bills Payables

The following tables set forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Trade payables	93,815	79,818	93,165	66,172
Bills payables	121,285	227,739	161,686	154,287
Total	215,100	307,557	254,851	220,459

Our trade payables primarily comprise the outstanding amounts due to our suppliers, including raw material suppliers and manufacturers of third-party pharmaceutical products. Credit terms granted by our suppliers vary. Certain of our raw materials suppliers generally provide us credit terms of at least 20 days.

Our bills payables represent short-term bank acceptance notes issued to our suppliers in lieu of cash payments, with maturity dates typically ranging from 30 days to 180 days.

Our trade and bills payables increased by 43.0% from RMB215.1 million as of December 31, 2017 to RMB307.6 million as of December 31, 2018, and decreased by 17.1% from RMB307.6 million as of December 31, 2018 to RMB254.9 million as of December 31, 2019, primarily because a larger amount of bank acceptance notes remained outstanding at 2018 year end. Our trade and bills payables decreased by 13.5% from RMB254.9 million as of December 31, 2019 to RMB220.5 million as of June 30, 2020, primarily due to a decrease in our purchases.

The following table sets forth an aging analysis of our trade and bills payables, based on invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Within three months	136,096	173,228	172,961	89,650
Three to 12 months	77,334	132,350	79,838	128,910
Over 12 months	1,670	1,979	2,052	1,899
Total	215,100	307,557	254,851	220,459

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our trade payables turnover days were 82.1 days, 41.1 days, 35.5 days and 37.4 days, respectively. We calculate the trade payables turnover days using the average of the opening and closing trade payable balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days for the relevant period (365 days for 2017, 2018 and 2019 and 182 days for the six months ended June 30, 2020). Trade payables turnover days decreased from 82.1 days in 2017 to 41.1 days in 2018, primarily due to increased use of bills payables to settle payments with suppliers. Trade payables turnover days decreased from 41.1 days in 2018 to 35.5 days in 2019, primarily due to shortened credit terms granted by certain suppliers in exchange for more favorable purchase prices. Trade payables turnover days remained relatively stable at 35.5 days in 2019 and 37.4 days in the six months ended June 30, 2020.

As of August 31, 2020, RMB50.9 million, or approximately 76.9% of our trade payables as of June 30, 2020 had been subsequently settled.

Other Payables and Accruals

The following tables set forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Accrued expenses	567,810	686,037	782,754	787,878
Contract liabilities	21,392	18,340	16,675	14,759
Payable for employee reimbursements	83,334	111,008	83,558	92,753
Payables for staff related costs	68,257	87,147	191,223	154,647
Payables for purchase of property, plant and equipment	105,280	24,438	66,020	58,173
Cash received under share incentive scheme	54,270	68,119	112,029	112,029
Payables for government grants received on behalf of a fellow subsidiary	262,595	–	–	–
Dividends payable	–	350,944	–	–
Other tax payables	30,024	73,275	60,099	44,910
Others[(1)]	69,666	87,659	105,587	60,214
Total	1,262,628	1,506,967	1,417,945	1,325,363

Note:

(1) Primarily comprise payables to certain related parties for lease of properties and related property management, deposits, such as rental deposits received from tenants, bidding deposits received from suppliers and retention money in relation to purchase of fixed assets, as well as other miscellaneous expense payables.

Accrued expenses primarily comprise accrued marketing and promotion expenses, research and development costs and other expenses.

Payable for employee reimbursements are primarily related to travel, accommodation and other reimbursable expenses incurred by our employees, including sales and marketing personnel, research and development personnel, manufacturing personnel and administrative personnel.

Payables for staff related costs mainly represent salary and bonus payables. Payables for purchase of property, plant and equipment primarily comprise payables for the construction of our production facilities. Cash received under share incentive scheme represents cash received from the participants of the Pre-IPO Share Incentive Scheme on behalf of SPHL as such participants were unable to pay SPHL directly due to foreign exchange control in China. For details, please see "Appendix V – Statutory and General Information – D. Pre-IPO Share Incentive Scheme." Such payables have been fully settled.

Payables for government grants received on behalf of a fellow subsidiary represent eminent domain compensation we received on behalf of Nanjing BioSciKin Technology. In 2014, Nanjing BioSciKin Technology was spun off from Simcere Pharmaceutical and established as wholly owned by SGG. Please see "History, Reorganization and Corporate Structure – Corporate Development – Subsequent Development following the De-listing from the NYSE – Spin-off of BioSciKin Business." As part of the spin-off arrangement, Simcere Pharmaceutical agreed to transfer the ownership of certain properties to Nanjing BioSciKin Technology. Before completion of the ownership transfer procedures, some of these properties were seized by the local government due to eminent domain. While Nanjing BioSciKin Technology is entitled to the relevant compensation according to the spin-off arrangement, the local government paid such amounts to Simcere Pharmaceutical as the then owner of these properties. Save as such government grants we received on behalf of Nanjing BioSciKin Technology, we did not receive any other government grants on behalf of our connected persons or related parties during the Track Record Period.

Other payables and accruals increased by 19.4% from RMB1,262.6 million as of December 31, 2017 to RMB1,507.0 million as of December 31, 2018, primarily due to (i) an increase in dividends payable of RMB350.9 million as a result of dividends declared in 2018; and (ii) an increase in accrued expenses of RMB118.2 million, which was generally in line with the growth of our business. This increase was partially offset by a decrease in payables for government grants received on behalf of a fellow subsidiary of RMB262.6 million.

Other payables and accruals decreased by 5.9% from RMB1,507.0 million as of December 31, 2018 to RMB1,417.9 million as of December 31, 2019, primarily due to a decrease in dividends payable of RMB350.9 million as a result of settlement of dividends declared in 2018. This decrease was partially offset by (i) an increase in accrued expenses of RMB96.7 million, which was generally in line with the growth of our business; and (ii) an increase in payables for staff related costs of RMB104.1 million mainly attributable to increased headcount and compensation level.

Other payables and accruals decreased by 6.5% from RMB1,417.9 million as of December 31, 2019 to RMB1,325.4 million as of June 30, 2020, primarily due to a decrease in payables for staff related costs of RMB36.6 million as a result of payment of 2019 annual bonus.

Save as disclosed in this prospectus, there were no other payments or receipts paid or received by us on behalf of other related parties or third parties during the Track Record Period. Our Directors confirm that we had no material defaults in our trade payables or other payables during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

We are the lessee in respect of certain properties held under operating leases for our offices, employee dormitories and laboratories during the Track Record Period. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments. Please see "– Critical Accounting Policies and Estimates – Adoption of HKFRS 9, HKFRS 15 and HKFRS 16" for more details.

The table below sets forth our future minimum lease payments under these operating leases which fall due as of the dates as indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Minimum lease payments:				
Within one year	20,490	15,816	32,505	47,815
After one but within two years	5,655	9,350	31,801	46,782
After two but within five years	134	26,864	94,068	128,735
After five years	81	11,848	19,369	72,222
Less: future finance charges	(665)	(7,210)	(19,936)	(38,049)
Present value of lease liabilities	25,695	56,668	157,807	257,505
Within one year	19,955	13,678	26,206	37,975
After one but within two years	5,546	7,646	26,696	38,580
After two but within five years	117	23,829	86,135	114,176
After five years	77	11,515	18,770	66,774
Total	25,695	56,668	157,807	257,505

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness mainly consisted of bank loans, loans from related parties and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2017	2018	2019	2020	2020
			(RMB'000)		
					(unaudited)
Included in current liabilities					
Bank loans					
– Short-term bank loans	635,580	1,745,616	1,508,765	2,035,282	1,983,444
– Current portion of long-term bank loans	220,000	233,705	135,213	243,915	243,889
	855,580	1,979,321	1,643,978	2,279,197	2,227,333
Loans from related parties	138,855	203,852	–	–	–
Current portion of lease liabilities	19,955	13,678	26,206	37,975	37,834
Sub-total	1,014,390	2,196,851	1,670,184	2,317,172	2,265,167
Included in non-current liabilities					
Bank loans					
– Non-current portion of long-term bank loans	297,477	78,019	1,139,171	1,201,228	1,216,053
Non-current portion of lease liabilities	5,740	42,990	131,601	219,530	208,214
Sub-total	303,217	121,009	1,270,772	1,420,758	1,424,267
Total	1,317,607	2,317,860	2,940,956	3,737,930	3,689,434

The following table sets forth the maturity profile of our bank loans as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2017	2018	2019	2020	2020
			(RMB'000)		*(unaudited)*
Within one year or on demand	855,580	1,979,321	1,643,978	2,279,197	2,227,333
After one year but within two years	226,079	14,093	222,608	1,026,573	1,045,987
After two years but within five years	38,039	40,735	903,902	161,689	156,994
After five years	33,359	23,191	12,661	12,966	13,072
Total	1,153,057	2,057,340	2,783,149	3,480,425	3,443,386

The following table sets forth the interest rate profile of our indebtedness as of the dates indicated:

	As of December 31,						As of June 30,	
	2017		2018		2019		2020	
	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:								
Bank loans	0.85%-4.9%	1,153,057	1.2%-5.22%	1,883,816	0.37%-4.90%	2,783,149	0.37%-4.90%	3,302,661
Lease liabilities	4.54%	25,695	4.54%	56,668	4.54%	157,807	3.97%-4.54%	257,505
Loans from related parties	4.35%	138,855	4.35%	203,852		–		–
		1,317,607		2,144,336		2,940,956		3,560,166
Variable rate borrowings:								
Bank loans		–	LIBOR+1.3%	173,524		–	LIBOR+1.1%	177,764
Total borrowings		1,317,607		2,317,860		2,940,956		3,737,930

The following table sets forth a breakdown of our secured and unsecured bank loans as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Secured	382,395	373,371	1,523,149	1,521,883
Unsecured	770,662	1,683,969	1,260,000	1,958,542
Total	1,153,057	2,057,340	2,783,149	3,480,425

The table below sets forth our assets pledged to secure certain bank loans as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Leasehold land	15,263	14,910	53,991	53,293
Plants and buildings	185,825	176,480	224,935	220,923
Financial assets at fair value through profit or loss	–	–	400,000	–
Pledged deposits	194,000	200,000	290,000	903,000
Total	395,088	391,390	968,926	1,177,216

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our bank loans amounting to RMB100.5 million, RMB100.5 million, RMB783.5 million and RMB672.5 million, respectively, were guaranteed by Mr. Ren, Ms. Wang Xi (spouse of Mr. Ren) and Nanjing BioSciKin Technology, and pledged by the equity interest in Simcare Jiangsu held by Nanjing Huasheng. Please see "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence."

Certain of our bank loan agreements require that we maintain or satisfy financial covenants. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing. As of August 31, 2020, we had unutilized credit facilities of RMB1,712.0 million (including certain unutilized facilities

conditionally granted upon the pledge of deposits or bank acceptance bills which amounted to approximately RMB994.0 million). We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Our Directors confirm that there has been no material change in our indebtedness position since August 31, 2020, being the latest practicable date for the purpose of the indebtedness statement.

Contingent Liabilities

Except as disclosed above, we did not have, as of August 31, 2020, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interest and classified as owners' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures were RMB292.2 million, RMB335.2 million, RMB507.7 million, RMB245.6 million and RMB178.9 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively. The following table sets out our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	(RMB'000)			
Leasehold land	51,861	–	22,890	116
Plant and buildings	377	6,925	64,594	35,094
Machinery and equipment	62,714	39,384	112,359	49,190
Furniture, fixtures and office equipment	7,019	12,213	18,671	28,537
Motor vehicles	1,392	1,919	1,385	655
Construction in progress	208,055	183,054	286,255	44,614
Changes in prepayments and payables for purchases of property, plant and equipment	(39,218)	91,721	1,504	20,740
Total	292,200	335,216	507,658	178,946

Our capital expenditures during the Track Record Period were primarily related to the construction and upgrading of our production and R&D infrastructure. We expect to incur approximately RMB369.0 million in the year ending December 31, 2020, primarily consisting of expenditures on purchases of machinery and equipment as well as construction in progress. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering as well as cash generated from operating activities.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

Capital Commitments

The following table sets out our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Contracted for, but not provided for				
– Construction of plant and buildings	89,031	160,436	219,672	110,978
– Acquisition of machinery and equipment	41,112	78,872	65,394	39,531
Total	130,143	239,308	285,066	150,509

RELATED PARTY TRANSACTIONS

The table below sets forth our material related party transactions for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Purchase of goods					
Jiangsu Simcare Pharmaceutical[(1)]	1,449	6,892	7,292	4,031	8,070
Simcare Jiangsu[(1)]	104	119	665	179	35
Beijing Sanroad[(2)]	2,460	770	–	–	–
Nanjing Fuantang Pharmaceutical Co., Ltd.[(2)]	92	62	–	–	–
Yoai Technology[(2)]	–	352	367	367	–
Xiangxiang Wuxian[(2)]	98	–	9	5	–
Xuancheng Menovo[(2)]	–	–	753	–	570
	4,203	8,195	9,086	4,582	8,675

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Purchase of services					
BioSciKin Medical[3]	59	100	9	9	–
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	–	–	–	–	64
Nanjing Medway[4]	100	–	1,075	–	75
Nanjing BioSciKin Asset Management Co., Ltd.[3]	1	1	1	–	–
Jiangsu Simcere Diagnostics[5]	–	–	480	–	60
	160	101	1,565	9	199
Sales of goods					
Jiangsu Simcare Pharmaceutical[6]	13,847	8,311	9,099	5,199	7,989
Simcare Jiangsu[6]	–	–	1,549	1,291	1,154
	13,847	8,311	10,648	6,490	9,143
Rendering of services					
BioSciKin Medical[7]	–	5	87	39	47
Beijing Sanroad[8]	–	26,425	42,618	20,276	19,374
Jiangsu Simcere Diagnostics[8]	–	15,835	488	184	203
BioSciKin Innovative Pharmaceutical[9]	–	–	–	–	105
	–	42,265	43,193	20,449	19,729

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Disposal of equity interest in other investment					
Mr. Ren	500	–	–	–	–
Acquisition of equity interest in subsidiaries under common control, an associate, a joint venture and other investments					
Nanjing BioSciKin Pharmaceutical Industrial Co., Ltd.[10]	–	50,000	–	–	–
SPHL[11]	93,000	–	–	–	–
BioSciKin Medical[12]	3,176	–	649,412	649,412	–
	96,176	50,000	649,412	649,412	–
Receiving rental, property management and other related services					
Nanjing BioSciKin Technology[13]	3,923	3,923	2,942	1,961	–
BioSciKin Medical[13]	15,005	30,068	52,096	17,143	23,525
Nanjing BioSciKin Asset Management Co., Ltd.[13]	1,588	3,166	3,221	1,415	1,343
BioSciKin Innovative Pharmaceutical[13]	–	–	750	–	704
	20,516	37,157	59,009	20,519	25,572
Provision of rental, property management and other related services					
Shanghai Youxu[14]	–	–	–	–	8

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Sales of property, plant and equipment					
BioSciKin Medical	274	–	–	–	–
Purchase of property, plant and equipment					
Simcare Jiangsu	239	–	–	–	–
BioSciKin Medical	5,113	–	21	21	–
Nanjing BioSciKin Asset Management Co., Ltd.	–	52	–	–	–
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	827	–	–	–	–
	6,179	52	21	21	–
Payments made on behalf of the Group					
BioSciKin Medical[15]	–	–	2,117	1,236	–
Jiangsu Pharmaceutical Industrial Co., Ltd.[15]	1,013	452	16	–	–
	1,013	452	2,133	1,236	–
Payments made on behalf of related parties					
Simcare Jiangsu[16]	408	460	357	–	–
Jiangsu Simcere Diagnostics[16]	494	886	1,160	714	–
SPHL[16]	4,390	3,251	390	–	–
	5,292	4,597	1,907	714	–

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
Government grants received on behalf of a related party					
Nanjing BioSciKin Technology	262,595	–	175,063	–	–
Advances to an associate					
BCY Pharm[17]	–	–	4,000	–	–
Cash received under share incentive scheme					
SPHL	–	17,100	44,300	–	–
New loans from related parties[18]					
SPHL	32,696	241,323	11,791	–	35,506
SGG	1,361	55,572	5	–	–
	34,057	296,895	11,796	–	35,506
Interest expenses on loans from related parties[18]					
SPHL	124	1,400	1,901	384	298
SGG	395	1,852	2,160	1,429	–
Nanjing BioSciKin Technology	3,493	3,493	2,545	1,732	–
	4,012	6,745	6,606	3,545	298

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
			(RMB'000)		
				(Unaudited)	
New loans to related parties[19]					
Jiangsu Simcere Diagnostics	–	20,000	–	–	–
BioSciKin Medical	263,748	920,722	227,615	88,560	–
SPHL	–	–	189,013	156,409	–
Simcere Industrial Co., Limited	–	8	6	–	–
	263,748	940,730	416,634	244,969	–
Interest income on loans to related parties[19]					
Jiangsu Simcere Diagnostics	–	505	–	–	–
BCY Pharm	–	–	–	–	130
SPHL	–	–	3,816	675	–
BioSciKin Medical	9,185	18,844	9,639	8,920	–
Shanghai BioSciKin Investment Management Co., Ltd.	10,875	10,875	7,896	5,393	–
	20,060	30,224	21,351	14,988	130

Notes:

(1) Represented purchases of certain healthcare products from these related parties. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 4. Simcare Procurement Framework Agreement" for details.

(2) Represented purchases of certain API, pharmaceutical and healthcare products from these related parties.

(3) Represented provision of certain conference services by BioSciKin Medical and Nanjing BioSciKin Asset Management Co., Ltd. to us.

(4) Represented provision of certain media promotion services by Nanjing Medway to us. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 6. Medway Media Cooperation Framework Agreement" for details.

(5) Represented provision of certain information technology services by such related party to us.

(6) Represented sales of certain pharmaceutical products to Simcare Jiangsu and its subsidiary, Jiangsu Simcare Pharmaceutical. Please see "Connected Transactions – Partially-Exempt Continuing Connected Transactions – 11. Simcare Sales and Distribution Framework Agreement" for details.

(7) Represented provision of certain conference services to BioSciKin Medical.

(8) Represented provision of promotion and other related services to these related parties. Please see "Connected Transactions – Partially-Exempt Continuing Connected Transactions – 12. Sanroad Promotion Services Framework Agreement" and "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 5. Simcere Diagnostics Sample Services Agreement" for details.

(9) Represented sharing of utilities facilities with BioSciKin Innovative Pharmaceutical. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 8. Utility Charge Agreement" for details.

(10) Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Acquisition of Subsidiaries from BioSciKin Medical – Simcere Biological Pharmaceutical" for details.

(11) Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Transfer of Equity Interest in Shandong Simcere" for details.

(12) Please see "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Acquisition of Subsidiaries from BioSciKin Medical – Simcere Biology" and "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – Acquisition of Subsidiaries from BioSciKin Medical – Simcere Shanghai Pharmaceutical" for details.

(13) Please see "Connected Transactions – Partially-Exempt Continuing Connected Transactions – 10. Property Lease and Comprehensive Services Framework Agreement" for details.

(14) Represented certain costs and expenses paid by these related parties on behalf of our Group.

(15) Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 3. Shanghai Youxu Property Lease Agreement" for details.

(16) Represented certain costs and expenses paid by us on behalf of these related parties.

(17) Represented payment for acquisition of interest in BCY Pharm.

(18) Represented loans from these related parties, which were unsecured, had no fixed repayment terms and subject to an interest rate of 4.35% per annum.

(19) Represented loans to these related parties, which were unsecured and had no fixed repayment terms. Other than certain loans to BioSciKin Medical in 2017 with an aggregate amount of RMB204.0 million bearing an interest rate of 6% per annum, our loans to related parties during the Track Record Period were subject to an interest rate of 4.35% per annum.

The following table sets forth a breakdown of our balances due from/to related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Trade in nature:				
Trade receivables				
Jiangsu Simcare Pharmaceutical[(1)]	1,755	2,394	620	2,120
Simcare Jiangsu[(1)]	–	–	66	515
Beijing Sanroad[(2)]	–	5,003	8,736	10,209
Jiangsu Simcere Diagnostics[(2)]	–	4,000	439	–
Shanghai Youxu[(3)]	–	–	–	9
	1,755	11,397	9,861	12,853
Prepayments, deposits and other receivables				
Nanjing Fuantang Pharmaceutical Co., Ltd.[(4)]	29	–	–	–
Yoai Technology[(4)]	–	–	26	93
Simcare Jiangsu[(5)]	1,909	2,370	–	–
Jiangsu Simcere Diagnostics[(6)]	494	111	–	112
Beijing Sanroad[(7)]	5,000	5,174	5,000	5,000
BioSciKin Medical[(8)]	2,893	–	–	–
Xuancheng Menovo[(9)]	–	–	–	356
Nanjing Medway[(10)]	–	–	–	66
Jiangsu Simcare Pharmaceutical[(11)]	100	1,418	–	100
	10,425	9,073	5,026	5,727
Trade payables				
Simcare Jiangsu[(12)]	847	970	–	–
Jiangsu Simcare Pharmaceutical[(12)]	–	–	1,637	1,549
Beijing Sanroad[(13)]	55	–	–	–
BioSciKin Medical[(14)]	3,549	–	–	–
Yoai Technology[(13)]	–	352	–	–
	4,451	1,322	1,637	1,549

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Other payables and accruals				
Nanjing BioSciKin Technology[15]	–	1,030	–	–
BioSciKin Innovative Pharmaceutical	–	–	150	–
Jiangsu Simcere Diagnostics	–	–	480	–
Simcare Jiangsu	–	–	1	–
Nanjing Medway[16]	–	–	213	–
Jiangsu Simcare Pharmaceutical	–	–	74	–
Nanjing BioSciKin Asset Management Co., Ltd.	–	445	135	3
BioSciKin Medical[15]	–	3,889	10,424	1,682
SGG	17	17	–	–
Nanjing BioSciKin Pharmaceutical Industrial Co., Ltd.	600	–	–	–
	617	5,381	11,477	1,685
Non-trade in nature:				
Interest in associates				
BCY Pharm	–	–	4,000	–
Loans to related parties and third parties[17]				
BioSciKin Medical	236,065	397,525	–	–
Simcare Jiangsu	58	58	–	–
Shanghai BioSciKin Investment Management Co., Ltd.	268,324	279,199	–	–
Simcere Industrial Co., Limited	–	8	–	–
	504,447	676,790	–	–
Loans from related parties[18]				
Nanjing BioSciKin Technology	99,806	103,299	–	–
SPHL	27,904	31,984	–	–
SGG	11,145	68,569	–	–
	138,855	203,852	–	–

	As of December 31,			As of June 30,
	2017	2018	2019	2020
		(RMB'000)		
Other payables and accruals				
Nanjing BioSciKin Technology[19]	262,595	–	–	–
SPHL[20]	54,270	419,063	112,029	112,029
Hainan BioSciKin[21]	15,822	15,822	–	–
	332,687	434,885	112,029	112,029

Notes:

(1) Represented receivables due from these related parties for sales of certain pharmaceutical products. Please see "Connected Transactions – Partially-Exempt Continuing Connected Transactions – 11. Simcare Sales and Distribution Framework Agreement" for details.

(2) Represented receivables due from these related parties for our promotion services. Please see "Connected Transactions – Partially-Exempt Continuing Connected Transactions – 12. Sanroad Promotion Services Framework Agreement" and "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 5. Simcere Diagnostics Sample Services Agreement" for details.

(3) Represented receivables due from such related party for rents payable. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 3. Shanghai Youxu Property Lease Agreement" for details.

(4) Represented prepayments paid to these related parties for purchases of certain pharmaceutical and healthcare products.

(5) Represented receivables due from such related party for certain costs and expenses we paid on behalf of it.

(6) Represented prepayments paid to such related party for certain information technology services.

(7) Represented prepayments paid to such related party in connection with the distribution of its products and deposits paid to such related party in connection with our promotion services. Please see "Connected Transactions – Partially-Exempt Continuing Connected Transactions – 12. Sanroad Promotion Services Framework Agreement" for details.

(8) Represented prepayments paid to such related party for purchase of certain fixed assets.

(9) Represented prepayments paid to such related party for purchases of APIs.

(10) Mainly comprised prepayments paid to such related party for certain media promotion services. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 6. Medway Media Cooperation Framework Agreement" for details.

(11) Represented prepayments paid to such related party for purchases of certain healthcare products. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 4. Simcare Procurement Framework Agreement" for details.

(12) Represented payables due to these related parties for purchases of certain healthcare products. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 4. Simcare Procurement Framework Agreement" for details.

(13) Represented payables due to these related parties for purchases of certain healthcare products.

(14) Represented payables due to such related party for certain conference services.

(15) Represented payables to these related parties for lease of properties and related property management services. Please see "Connected Transactions – Partially-Exempt Continuing Connected Transactions – 10. Property Lease and Comprehensive Services Framework Agreement" for details.

(16) Represented payables to such related party for certain media promotion services. Please see "Connected Transactions – Fully-Exempt Continuing Connected Transactions – 6. Medway Media Cooperation Framework Agreement" for details.

(17) Represented loans to these related parties, which were unsecured, had no fixed repayment terms and subject to an interest rate ranging from 4.35% to 6% per annum.

(18) Represented loans from these related parties, which were unsecured, had no fixed repayment terms and subject to an interest rate of 4.35% per annum.

(19) Represented payables to such related party for government grants we received on behalf of it.

(20) Represented dividends payables to such related party and payables to such related party for cash received from the participants of the Pre-IPO Share Incentive Scheme on behalf of such related party.

(21) Represented payables for the dividend payable to Hainan BioSciKin, which is declared by Shanghai Simcere in 2011.

We have settled all non-trade amounts due from/to related parties. We will discontinue all non-trade in nature related party transactions after the Listing, except as in compliance with the Listing Rules.

It is the view of our Directors that each of the related party transactions set out in Note 36 of the Accountants' Report in Appendix I to this prospectus (i) was conducted on arm's length basis; and (ii) would not distort our Track Record Period results or make our historical results not reflective of future performance.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Profitability ratios				
Return on equity[(1)]	21.3%	43.9%	65.9%	N/A
Return on total assets[(2)]	7.5%	12.7%	15.3%	N/A

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Liquidity ratios				
Current ratio[(3)]	1.10	0.89	0.85	0.93
Quick ratio[(4)]	1.03	0.83	0.77	0.86
Capital adequacy ratio				
Gearing ratio[(5)]	74.0%	148.1%	198.7%	201.1%

Notes:

(1) Return on equity is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(2) Return on total assets is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(3) Current ratio is calculated based on total current assets divided by total current liabilities.

(4) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(5) Gearing ratio is calculated based on total borrowings divided by total equity.

Return on Equity

Our return on equity increased from 21.3% in 2017 to 43.9% in 2018, primarily due to an increase in net profit.

Our return on equity increased from 43.9% in 2018 to 65.9% in 2019, primarily due to an increase in net profit.

Return on Total Assets

Our return on total assets increased from 7.5% in 2017 to 12.7% in 2018, primarily because the increase in our net profit outpaced the increase in our total assets.

Our return on total assets increased from 12.7% in 2018 to 15.3% in 2019, primarily because the increase in our net profit outpaced the increase in our total assets.

Current Ratio

Our current ratio decreased from 1.10 as of December 31, 2017 to 0.89 as of December 31, 2018, primarily because the increase in our current liabilities outpaced the increase in our current assets.

Our current ratio decreased from 0.89 as of December 31, 2018 to 0.85 as of December 31, 2019, primarily because the decrease in our current assets outpaced the decrease in our current liabilities.

Our current ratio increased from 0.85 as of December 31, 2019 to 0.93 as of June 30, 2020, primarily because the increase in our current assets outpaced the increase in our current liabilities.

Quick Ratio

Consistent with the changes in our current ratio, our quick ratio decreased from 1.03 as of December 31, 2017 to 0.83 as of December 31, 2018, and further decreased to 0.77 as of December 31, 2019 and increased from 0.77 as of December 31, 2019 to 0.86 as of June 30, 2020.

Gearing ratio

Our gearing ratio increased from 74.0% as of December 31, 2017 to 148.1% as of December 31, 2018, primarily due to an increase in total borrowings.

Our gearing ratio increased from 148.1% as of December 31, 2018 to 198.7% as of December 31, 2019, primarily due to an increase in total borrowings.

Our gearing ratio remained relatively stable at 198.7% as of December 31, 2019 and 201.1% as of June 30, 2020.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2020

We have prepared the following profit forecast for the year ending December 31, 2020.

Forecast consolidated profit attributable to equity shareholders of the Company[(1)]	Not less than RMB480 million (equivalent to HK$542 million)[(3)]
Unaudited pro forma forecast earnings per Share[(2)]	Not less than RMB0.18 (equivalent to HK$0.21)[(3)]

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2020 has been prepared are summarized in "Profit Forecast" in Appendix III to this prospectus. Our forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020 prepared by our Directors is based on (i) the audited consolidated financial information of our Group for the six months ended June 30, 2020; (ii) the unaudited consolidated results based on management accounts of our Group for the two months ended August 31, 2020; and (iii) a forecast of the consolidated results of our Group for the remaining four months ending December 31, 2020, in the absence of unforeseen circumstances. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in "Accountants' Report" as set out in Appendix I to this prospectus.

(2) The calculation of the unaudited pro forma forecast earnings per Share for the year ending December 31, 2020 is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020, assuming the Global Offering had been completed on January 1, 2020 and a total of 2,605,686,618 Shares were in issue during the entire year, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The forecast consolidated profit attributable to the equity shareholders of the Company and unaudited pro forma forecast earnings per Share in RMB are converted to Hong Kong dollars at the rate of HK$1.00 to RMB0.8852. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk and currency risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, see Note 37 in the Accountants' Report set out in Appendix I to this prospectus.

Interest Rate Risk

Our interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at fixed rates expose us to fair value interest rate risk. Borrowings issued at variable rates expose us to cash flow interest rate risk. We believe our exposure to interest rate risk is not significant.

Credit Risk

Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents, restricted deposits and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which we consider to have low credit risk.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2017, 2018 and 2019 and June 30, 2020, 6%, 9%, 5% and 2%, respectively, of our trade receivables were due from our

largest customer and 16%, 18%, 14% and 12%, respectively, of our trade receivables were due from our five largest customers. We perform individual credit evaluations on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. We do not obtain collateral from customers.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experiences do not indicate significantly different loss patterns for different businesses, the loss allowance based on past due status is not further distinguished between our different customer bases.

The following table sets forth information about our exposure to credit risk and ECLs for trade receivables at the end of each reporting period:

	As of December 31, 2017		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	174,151	927
Less than 3 months past due	1.3%	95,548	1,212
More than 3 months but less than 12 months past due	12.3%	5,799	713
More than 12 months past due	73.4%	10,734	7,882
		286,232	10,734

	As of December 31, 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.4%	362,129	1,309
Less than 3 months past due	1.0%	171,370	1,715
More than 3 months but less than 12 months past due	14.5%	8,562	1,243
More than 12 months past due	64.4%	11,998	7,731
		554,059	11,998

	As of December 31, 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.2%	522,956	1,183
Less than 3 months past due	0.4%	412,020	1,790
More than 3 months but less than 12 months past due	5.6%	37,355	2,074
More than 12 months past due	60.5%	12,786	7,739
		985,117	12,786

	As of June 30, 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.2%	658,966	1,279
Less than 3 months past due	0.4%	224,795	899
More than 3 months but less than 12 months past due	3.2%	391,553	12,685
More than 12 months past due	58.6%	9,444	5,533
		1,284,758	20,396

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables.

Liquidity Risk

We regularly monitor our liquidity requirements and our compliance with lending covenants to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements.

See Note 37(b) to the Accountants' Report included in Appendix I to this prospectus for further details of the liquidity risk we face.

Currency Risk

We principally operate in the PRC and are exposed to foreign currency risk primarily arising from cash balances and bank loans that are denominated in a foreign currency. The currencies giving rise to this risk are primarily United States dollars, Euro and Great British pounds.

For the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020, had there been a 5% increase or decrease in the exchange rate of United States dollars against Renminbi, our profit after tax and retained profits would have increased or decreased by approximately RMB541,000, RMB2,000 and RMB2,000, respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, had there been a 5% increase or decrease in the exchange rate of Euro against Renminbi, our profit after tax and retained profits would have decreased or increased by approximately RMB8.8 million, RMB9.0 million, RMB26.9 million and RMB34.8 million, respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, had there been a 5% increase or decrease in the exchange rate of Great British pounds against Renminbi, our profit after tax and retained profits would have decreased or increased by approximately RMB7.3 million and RMB7.2 million and increased or decreased by approximately RMB1,000 and RMB5,000, respectively.

For further details, please see Note 37(d) to the Accountants' Report included in Appendix I to this prospectus.

DIVIDENDS

We declared dividends of approximately US$131.1 million (equivalent to RMB900.00 million) and approximately US$93.8 million (equivalent to RMB635.07 million) in 2018 and 2019, respectively, which have been fully settled. Other than that, no dividend has been proposed, paid or declared by us during the Track Record Period. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

Our Board may declare dividends in the future after taking into account our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Ordinance, including the approval of our Shareholders.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2020, we had retained profits of RMB1,166.7 million, which were available for distribution to Shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisers, the Reporting Accountants and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB150.5 million (equivalent to HK$170.1 million), representing 5.06% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB17.3 million (equivalent to HK$19.6 million), of which approximately RMB13.9 million (equivalent to HK$15.7 million) was charged to the consolidated statements of profit or loss for the six months ended June 30, 2020 as administrative and other operating expenses and approximately RMB3.5 million (equivalent to HK$3.9 million) was capitalized as prepayments, deposits and other receivables in the consolidated statements of financial position as of June 30, 2020 to be charged against equity upon successful Listing. We expect to incur additional listing expenses of approximately RMB133.2 million (equivalent to HK$150.5 million), of which approximately RMB24.5 million (equivalent to HK$27.6 million) is expected to be recognized as administrative and other operating expenses and approximately RMB108.7 million (equivalent to HK$122.8 million) is expected to be recognized as a deduction in equity directly upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to show the effect of the Global Offering on our net tangible assets as of June 30, 2020, as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as of June 30,

2020 or at any future date. The unaudited pro forma statement of adjusted net tangible assets is based on the unaudited consolidated total net tangible assets of the Group attributable to the owners of the Company as of June 30, 2020 derived from the Accountants' Report in set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets attributable to the equity shareholders of our Company as of June 30, 2020[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company[(3)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per Share**	
	(in millions of RMB)			*RMB[(4)]*	*HK$[(5)]*
Based on an Offer Price of HK$12.1 per Share	1,561.2	2,654.3	4,215.5	1.62	1.83
Based on an Offer Price of HK$13.7 per Share	1,561.2	3,023.3	4,584.5	1.76	1.99

Notes:

(1) The audited consolidated net tangible assets of our Company attributable to equity shareholders of our Company as of June 30, 2020 have been calculated based on the audited consolidated total equity attributable to equity shareholders of our Company as of June 30, 2020 of RMB1,820.3 million, less intangible assets and goodwill of RMB86.3 million and RMB172.8 million, respectively, as of the same date, as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK$12.1 (being the minimum Offer Price) and HK$13.7 (being the maximum Offer Price) per Share, respectively, after deduction of the estimated underwriting fees and other related expenses payable by our Company of RMB104.4 million and RMB32.3 million, respectively, payable by our Company (excluding listing expenses which have been expensed prior to June 30, 2020) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The pro forma adjusted consolidated net tangible assets and the pro forma consolidated net tangible asset per Share would be increased if we decide not to pay such incentive fee.

(3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company to reflect our trading results or other transactions entered into subsequent to June 30, 2020.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 2,605,686,618 Shares in issue assuming that the Global Offering have been completed on June 30, 2020, but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(5) The estimated net proceeds from the Global Offering are converted into Renminbi at the rate of HK$1.00 to RMB0.8852. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save as otherwise disclosed in this prospectus, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2020, being the date of the latest audited consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

THE CORNERSTONE PLACING

We have entered into certain cornerstone investment agreements with the cornerstone investors (collectively the "**Cornerstone Investors**," and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for, or cause their designated entities to subscribe for, certain number of the Offer Shares (rounded down to the nearest board lot of 1,000 Shares) that may be subscribed for at an aggregate amount of approximately US$190 million, or approximately HK$1,473 million at the Offer Price (the "**Cornerstone Placing**").

Based on the Offer Price of HK$13.70 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 107,482,000, representing approximately 41.25% of the Offer Shares and approximately 4.12% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK$12.90 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 114,145,000, representing approximately 43.81% of the Offer Shares and approximately 4.38% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK$12.10 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 121,694,000, representing approximately 46.70% of the Offer Shares and approximately 4.67% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, in particular in the pharmaceutical sector, the Cornerstone Placing will help to raise the profile of our Company and signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through introduction from the Underwriters in the Global Offering.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue immediately following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than those to be subscribed for pursuant to their respective cornerstone

investment agreements. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of the Cornerstone Investors become a substantial Shareholder (as defined in the Listing Rules) of our Company.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our Directors, chief executive, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her/its name or otherwise held by him/her/it; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, our Directors, chief executive, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates.

As confirmed by each of the Cornerstone Investors, its subscription under the Cornerstone Placing would be financed by its own internal resources. There are no side agreements or arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around October 22, 2020. There is no mechanism for the delayed settlement of the investment amounts or deferred delivery arrangement in respect of the shares to be subscribed by the Cornerstone Investors in the respective cornerstone investment agreements.

THE CORNERSTONE INVESTORS

The following tables set forth details of the Cornerstone Placing and approximate percentage of total number of Offer Shares and percentage of total issued share capital of our Company upon Listing, based on different Offer Price scenarios:

			Based on Offer Price of HK$13.70 (being the high-end of the indicative Offer Price range)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering	
Cornerstone Investor (each as defined below)	Investment Amount[1]	Number of Offer Shares to be subscribed for (rounded down to nearest whole board lot of 1,000 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Hillhouse Capital	US$50 million	28,285,000	10.86%	9.44%	1.09%	1.07%
New & High	US$40 million	22,628,000	8.68%	7.55%	0.87%	0.86%
Red Earth	HK$232.5 million	16,971,000	6.51%	5.66%	0.65%	0.64%
Lake Bleu Prime	US$25 million	14,142,000	5.43%	4.72%	0.54%	0.53%
OrbiMed Funds	US$25 million	14,142,000	5.43%	4.72%	0.54%	0.53%
Sage Partners	US$10 million	5,657,000	2.17%	1.89%	0.22%	0.21%
Jericho Funds	US$10 million	5,657,000	2.17%	1.89%	0.22%	0.21%
Total	US$190 million	107,482,000	41.25%	35.87%	4.12%	4.06%

Note:

(1) Except for Red Earth, whose investment amount is denoted in Hong Kong dollars, the actual investment amount of each Cornerstone Investor in Hong Kong dollars will be calculated based on the exchange rate as disclosed in this prospectus.

			Based on Offer Price of HK$12.90 (being the mid-point of the indicative Offer Price range)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering	
Cornerstone Investor (each as defined below)	Investment Amount[(1)]	Number of Offer Shares to be subscribed for (rounded down to nearest whole board lot of 1,000 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Hillhouse Capital	US$50 million	30,039,000	11.53%	10.02%	1.15%	1.14%
New & High	US$40 million	24,031,000	9.22%	8.02%	0.92%	0.91%
Red Earth	HK$232.5 million	18,023,000	6.92%	6.01%	0.69%	0.68%
Lake Bleu Prime	US$25 million	15,019,000	5.76%	5.01%	0.58%	0.57%
OrbiMed Funds	US$25 million	15,019,000	5.76%	5.01%	0.58%	0.57%
Sage Partners	US$10 million	6,007,000	2.31%	2.00%	0.23%	0.23%
Jericho Funds	US$10 million	6,007,000	2.31%	2.00%	0.23%	0.23%
Total	US$190 million	114,145,000	43.81%	38.09%	4.38%	4.32%

Note:

(1) Except for Red Earth, whose investment amount is denoted in Hong Kong dollars, the actual investment amount of each Cornerstone Investor in Hong Kong dollars will be calculated based on the exchange rate as disclosed in this prospectus.

			Based on Offer Price of HK$12.10 (being the low-end of the indicative Offer Price range)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately following the completion of the Global Offering	
Cornerstone Investor (each as defined below)	Investment Amount[(1)]	Number of Offer Shares to be subscribed for (rounded down to nearest whole board lot of 1,000 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Hillhouse Capital	US$50 million	32,025,000	12.29%	10.69%	1.23%	1.21%
New & High	US$40 million	25,620,000	9.83%	8.55%	0.98%	0.97%
Red Earth	HK$232.5 million	19,215,000	7.37%	6.41%	0.74%	0.73%
Lake Bleu Prime	US$25 million	16,012,000	6.15%	5.34%	0.61%	0.61%
OrbiMed Funds	US$25 million	16,012,000	6.15%	5.34%	0.61%	0.61%
Sage Partners	US$10 million	6,405,000	2.46%	2.14%	0.25%	0.24%
Jericho Funds	US$10 million	6,405,000	2.46%	2.14%	0.25%	0.24%
Total	US$190 million	121,694,000	46.70%	40.61%	4.67%	4.60%

Note:

(1) Except for Red Earth, whose investment amount is denoted in Hong Kong dollars, the actual investment amount of each Cornerstone Investor in Hong Kong dollars will be calculated based on the exchange rate as disclosed in this prospectus.

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

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.

New & High

New & High (HK) Limited ("**New & High**") is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Nanjing Jiangbei New District Industrial Investment Group Co., Ltd. ("**Jiangbei Investment Group**").

Jiangbei Investment Group was established in 1992 and is directly managed by the Nanjing Jiangbei New District Management Committee (南京市江北新區管理委員會) (the "**Jiangbei Management Committee**"), which discharges the responsibilities of the People's Government of Jiangbei New District, Nanjing. The responsibilities of the Jiangbei Management Committee include, among others, (i) the overall planning and coordination of the reform and development of Nanjing Jiangbei New District; and (ii) the overall planning of industry layout and key investment projects in Nanjing Jiangbei New District. As of June 30, 2020, Jiangbei Investment Group has a paid-up capital of approximately RMB6.5 billion and a total assets of approximately RMB100.1 billion. Jiangbei Investment Group, as the only entity for industrial investment and development in Jiangbei New District and Nanjing area of the Jiangsu Free Trade Zone, focuses on the industrial positioning of "Chip City" and "Gene City" of Jiangbei New District, and closely links to industries such as integrated circuit, healthcare, and intelligent manufacturing. Jiangbei Investment Group focuses on building the "Two Parks and One Valley" industrial platform of R&D Park, Biomedicine Valley, and Intelligent Manufacturing Industrial Park, and has formed four major business sectors, namely industrial project investment, industrial carrier construction, industrial integrated service and affordable housing construction.

Red Earth

Red Earth Innovation International Company Limited ("**Red Earth**") is a limited liability company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) ("**SCGC**").

SCGC, an Independent Third Party, is a limited liability company established on August 25, 1999 under PRC laws, under the sponsorship from the Shenzhen government, who still holds a 28.2% equity interest as its largest shareholder. SCGC is a leading venture capital firm in the PRC. SCGC invests in growth companies of the information technology, internet, new media, creative media, biotechnology and health sciences, new energy, energy conservation and environmental protection, new materials and chemical industries, high-end manufacturing, consumer goods and modern services sectors.

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

OrbiMed Partners Master Fund Limited ("**OPM**"), OrbiMed Genesis Master Fund, L.P. ("**Genesis**"), OrbiMed New Horizons Master Fund, L.P. ("**ONH**"), and Worldwide Healthcare Trust PLC ("**WWH**" and, collectively, the "**OrbiMed Funds**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$25 million at the Offer Price.

OrbiMed Capital LLC is the investment advisor for OPM and the portfolio manager of WWH. OPM is an exempted company incorporated under the laws of Bermuda. WWH 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.

WWH is listed on the London Stock Exchange (LON: WWH). The approval of the London Stock Exchange is not required for WWH's subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement.

Sage Partners

Sage Partners Master Fund ("**Sage Partners**") is an exempted company incorporated in the Cayman Islands, and is managed by Sage Partners Limited, a Hong Kong incorporated SFC type 9 licensed investment management company. Sage Partners mainly focuses on investment opportunities in the healthcare sector by deploying a long-term fundamental-based approach. Sage Partners Limited was established in 2019 by Dr. Fei Wang, who is the ultimate controlling shareholder of Sage Partners Limited.

Jericho Funds

Each of Jericho Capital Master Fund L.P. and Jericho Asia Opportunities Master LP ("**Jericho Funds**") is an exempted limited partnership registered in the Cayman Islands and operating as private investment funds managed by Jericho Capital Asset Management L.P. ("**Jericho Capital**").

Jericho Capital, a limited partnership formed in the State of Delaware of the United States, is an investment manager to private investment funds and was founded in 2009. Jericho Capital is registered with the US Securities and Exchange Commission. As of December 31, 2019, Jericho Capital managed approximately US$3,344,523,000 of regulatory assets under management, and Josh Resnick is its principal owner.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement 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 these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon (i) between the Company and the joint representatives (for themselves and on behalf of the other underwriters of the Global Offering), for the purpose of the relevant cornerstone investment; or (ii) between the Company and the Joint Global Coordinators (for themselves and on behalf of the other underwriters of the Global Offering), as the case may be;

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares to be 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 relevant laws or regulations 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 relevant 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 respective representations, warranties, undertakings, confirmations and acknowledgements of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that without the prior written consent of, among others, each of our Company and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date, dispose of, in any way, any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries or affiliates who will be bound by the same obligations of such Cornerstone Investor.

FUTURE PLANS

Please see the section headed "Business – Our Strategies" for a detailed description of our future plans. In particular, we plan to continue to strengthen our in-house R&D team and increase our investment in R&D and will use a majority of the net proceeds of the Global Offering to fund the continued research and development of our selected product candidates, with the view to supporting our transition to become an innovation and R&D-driven pharmaceutical company.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$12.90 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$3,191.3 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 60% (or HK$1,914.8 million) will be allocated to the continued research and development of our selected product candidates in our strategically focused therapeutic areas as follows:
  - approximately 45% (or HK$1,436.1 million) will be used for the continued research and development of our selected oncology product candidates, consisting of:
    (1) approximately 19% (or HK$606.3 million) for our selected oncology product candidates that are currently at clinical stages or pending initiation of clinical trials, as illustrated in the table below:

Product candidate	Status	Estimated amount of net proceeds allocated (approximately HK$ in millions)
Bevacizumab biosimilar	Pivotal registrational trials	76.6
Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection)	Phase I clinical trials	114.9
PEG-ENDO (Pegylated recombinant human endostatin for injection)	Phase Ib clinical trials	95.7
CD19 CAR T-cell therapy (Indication 1)	Phase I clinical trials	92.5
CD19 CAR T-cell therapy (Indication 2)	IND approval obtained	86.2
BCMA CAR T-cell therapy	IND approval obtained	79.8
SIM-201	IND approval obtained	60.6

(2) approximately 26% (or HK$829.7 million) for other selected innovative oncology product candidates that are currently pending IND approval or at pre-clinical stages, including SIM-200, SIM-203-1, SIM-203-2, SIM-203-3, SIM-235, SIM-236, SIM-237, SIM-323, SIM-325, subcutaneous PD-L1 single domain antibody combination therapy-1 and subcutaneous PD-L1 single domain antibody combination therapy-2;

- approximately 11% (or HK$351.0 million) will be used for the continued research and development of our selected central nervous system product candidates, consisting of:

  (1) approximately 3% (or HK$95.7 million) for Y-2 sublingual tablets, which are currently undergoing phase I clinical trials; and

  (2) approximately 8% (or HK$255.3 million) for other selected innovative central nervous system product candidates that are currently in preparation for IND application or at pre-clinical stage;

- approximately 4% (or HK$127.7 million) will be used for the continued research and development of our selected autoimmune product candidates, consisting of:

  (1) approximately 1% (or HK$31.9 million) for SIM-335, which is currently pending initiation of clinical trials; and

  (2) approximately 3% (or HK$95.7 million) for other selected innovative autoimmune product candidates that are currently in preparation for IND applications;

- approximately 10% (or HK$319.1 million) will be allocated to the reinforcement of our sales and marketing capabilities, including (i) approximately 6% (or HK$191.5 million) for recruitment of around 3,000 additional sales and marketing personnel with extensive knowledge and/or experience in pharmaceutical industry over three years to increase our coverage of medical institutions. These additional sales and marketing personnel will be mainly responsible for the promotion of our newly-launched and near-commercial products through various academic marketing activities to hospitals and other medical institutions across China; (ii) approximately 2% (or HK$63.8 million) for provision of in-house and external training to our sales and marketing personnel to enhance their knowledge about our products and professional skills; and (iii) approximately 2% (or HK$63.8 million) for academic marketing efforts to enhance healthcare professionals' knowledge about the newly-launched and near-commercial products in our product portfolio;

- approximately 10% (or HK$319.1 million) will be allocated to our investment in companies in the pharmaceutical or biotechnology sector in the next few years, with a view to broadening our product portfolio. We intend to consider both domestic and overseas companies with commercialized products or product candidates under development in our strategically focused therapeutic areas (namely, oncology (including cell therapy), central nervous system diseases and autoimmune diseases) which have significant commercial value and the potential to address unmet medical needs. We may consider acquisitions or minority investments when appropriate opportunities arise. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to investments and had not identified any definite investment targets;

- approximately 10% (or HK$319.1 million) will be allocated to repayment of certain of our outstanding bank loans as illustrated in the table below; and

Lender	Nature	Outstanding principal amount as of the Latest Practicable Date	Interest rate (per annum)	Maturity
Bank A	Short-term loan	RMB200 million	4.35%	December 1, 2020
Bank B	Short-term loan	RMB200 million	4.35%	January 7, 2021
Bank C	Long-term loan	RMB196.8 million	4.28%	April 27, 2021

- approximately 10% (or HK$319.1 million) will be used for working capital and other general corporate purposes.

If the Offer Price is fixed at HK$13.70 per Offer Share (being the high-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$201.1 million. If the Offer Price is fixed at HK$12.10 per Offer Share (being the low-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$201.1 million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$516.7 million (assuming an Offer Price of HK$13.70 per Offer Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$486.5 million (assuming an Offer Price of HK$12.90 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus) and (iii) HK$456.3 million (assuming an Offer Price of HK$12.10 per Offer Share, being the low-end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to allocate part or all of the proceeds to short-term interest-bearing deposits with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

JOINT GLOBAL COORDINATORS

Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited
UBS AG Hong Kong Branch

JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering)
Morgan Stanley & Co. International plc (in relation to the International Offering)
China International Capital Corporation Hong Kong Securities Limited
UBS AG Hong Kong Branch
CMB International Capital Limited

JOINT LEAD MANAGER

CNCB (Hong Kong) Capital Limited

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this Prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Thursday, October 22, 2020, or such other date as agreed between the parties, the Global Offering will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 26,058,000 Hong Kong Offer Shares and the International Offering of initially 234,511,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" of this Prospectus as well as to the Over-allotment Option.

UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this Prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares to be offered as mentioned in this Prospectus pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among others, 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 Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange:

(1) there develops, occurs, exists or comes into effect:

(a) any new law or any change or development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in existing law or in the interpretation or application thereof by any court or other competent authority, in each case, in or affecting the Cayman Islands, Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom or the European Union (or any member thereof) (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change, or any event or circumstance or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency, credit or market conditions, equity securities or any monetary or trading settlement system or other financial markets (including without limitation conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(c) any event or series of events or circumstances in the nature of force majeure (including any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic and pandemic

(including, but not limited to, Severe Acute Respiratory Syndrome (SARS), H1N1 and H5N1, Novel Coronavirus Pneumonia and such related/mutated forms and the escalation of such diseases), outbreak of infectious disease, economic sanctions, labour disputes, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, rebellion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting any Relevant Jurisdiction; or

(d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(e) any general moratorium on commercial banking activities in the Cayman Islands, 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 or affecting any Relevant Jurisdiction; or

(f) a change or development involving a prospective change in or affecting Taxes (as defined in the Hong Kong Underwriting Agreement), exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, Euro, the Hong Kong dollar or the Renminbi against any foreign currencies and a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(g) the issue or requirement to issue by the Company of any supplement or amendment to this Prospectus or any other documents issued or used in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC, except with prior consent of the Joint Sponsors; or

(h) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(i) any contravention by any member of the Group of the Listing Rules, the Companies Ordinance, the Company Law of the PRC or the Companies (Winding Up and Miscellaneous Provisions) Ordinance; or

(j) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(k) any of the executive Directors of the Company vacating his or her office; or

(l) an Authority (as defined in the Hong Kong Underwriting Agreement) 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 member of the Group or any executive Director; or

(m) 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 assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(n) the imposition of sanctions in respect of any jurisdiction relevant to the material business operations of the Group in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or

(o) any valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(p) a Director as named in this Prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(q) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(r) non-compliance of this Prospectus 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; or

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, Shareholder's equity, profits, losses, results of operations, position or condition (financial or otherwise), or performance of the Group as a whole; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; or (C) makes or will make it impracticable or inadvisable or incapable or inexpedient to proceed with or to market the Global Offering; or (D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) that any statement contained in this Prospectus, Application Forms and/or any public 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 (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto but excluding information furnished by the Underwriters, being the logo, market name, legal name and address of such Underwriters and expert qualification of the sponsors appearing in the Offer Related Documents) was, when it was issued, or has become, untrue, inaccurate, incorrect, incomplete in any material respect or misleading or deceptive, 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

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed, constitute a material omission from any of this Prospectus or the Application Forms (including any supplement or amendment thereto); or

(c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(d) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties given by the Company and the warranting shareholders (SPHL and Mr. Ren (the "**Warranting Shareholders**", each a "**Warranting Shareholder**")) in the Hong Kong Underwriting Agreement; or

(e) any event, act or omission which gives or is likely to give rise to any material liability of any of the Company and the Warranting Shareholders pursuant to the indemnities given by the foregoing parties under the Hong Kong Underwriting Agreement; or

(f) a 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

(g) any expert (other than the Joint Sponsors), whose consent is required for the issue of this Prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent to being named in this Prospectus or to the issue of this Prospectus; or

(h) that approval by the Listing Committee of the Stock Exchange 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

(i) the Company withdraws this Prospectus, the Application Forms or the Global Offering;

then the Joint Global Coordinators shall (for themselves and on behalf of the Hong Kong Underwriters) be entitled to give notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings pursuant to the Listing Rules and the Hong Kong Underwriting Agreement

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong 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 date on which our securities first commence dealings on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances provided under Rule 10.08 of the Listing Rules.

The Company hereby undertakes to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "**Hong Kong Underwriting Agreement First Six-Month Period**"), it will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, 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 agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, 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 deposit any Shares or other securities of the Company, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of the Company, or any interest in any of the foregoing (including 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

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer to or contract to or agree to or announce or publicly disclose any intention to effect any transaction described in (a), (b) or (c) above;

in each case, whether any of the foregoing transactions is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other shares or securities of the Company will be completed within the Hong Kong Underwriting Agreement First Six-Month Period). The Company further agrees that, in the event the Company enters into any of the transactions described in clause (a), (b) or (c) above or offers to or agrees to or contracts to or announces or publicly discloses any intention to effect any such transaction during the period of six months commencing on the date on which the Hong Kong Underwriting Agreement First Six Month Period expires (the "**Hong Kong Underwriting Agreement Second Six-Month Period**"), it shall take all reasonable steps to ensure that such transaction will not create a disorderly or false market in the securities of the Company. Each of the Warranting Shareholders has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with such undertakings.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that except to the Global Offering, he/she/it will not and will procure that the relevant registered holder(s) will not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this Prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any share of the Company directly or indirectly beneficially owned by it; or

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any shares of the Company directly or indirectly beneficially owned by it, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the Controlling Shareholders of the Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this Prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(a) when it pledges and/or charges any shares or other securities of the Company beneficially owned by him/her/it directly or indirectly in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge and/or charge together with the number of Shares so pledged and/or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee and/or chargee that any of the pledged and/or charged shares will be disposed of, immediately inform the Company of such indications.

We will also, as soon as we have been informed of the above matters (if any) by the Controlling Shareholders, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Each of the Warranting Shareholders hereby jointly and severally undertakes to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement) without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he or it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding any Shares or other securities of the Company on trust for him or it (for the avoidance of doubt, excluding Excel Management and its shareholders) and the companies controlled by him or it will not at any time during the Hong Kong Underwriting Agreement First Six-Month 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, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create a claim, mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, equitable right, power of sale, hypothecation, retention of title, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind or an agreement, arrangement or obligation to create any of the foregoing (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

therein (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 or any interest therein (including 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 or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Hong Kong Underwriting Agreement First Six-Month Period or the Hong Kong Underwriting Agreement Second Six-Month Period);

(b) until the expiry of Hong Kong Underwriting Agreement Second Six-Month Period, in the event that it enters into any of the transactions specified in (a)(i), (ii) or (iii) above, offers to or agrees to or announces any intention to effect any such transaction, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of the Company;

provided none of the foregoing shall prevent the Warranting Shareholders or the relevant registered holder(s), any nominee or trustee holding any Shares or other securities on trust for him or her or it or the companies controlled by him or her or it from (i) purchasing additional Shares or other securities of the Company and disposing of such additional Shares or securities of the Company, (ii) using the Shares or other securities of the Company or any interest therein beneficially owned by them as security (including without limitation a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Undertakings by Existing Shareholders

Without prejudice to any other lock-ups as described in this prospectus, each of the existing Shareholders (each an "**Existing Shareholder**") has undertaken to our Company and each of the Joint Sponsors (for themselves and on behalf of each of the International Underwriters and the Hong Kong Underwriters) that such Existing Shareholder will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for the Existing Shareholder and the companies controlled by the Existing Shareholder will not, at any time during the period of 180 days commencing on the Listing Date (the "**Existing Shareholder Lock-up Period**"), directly or indirectly:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, assign, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right of first refusal, right of pre-emption, right to sell, or other third party claim, right, interest or preference or otherwise transfer or dispose of, in any way, or create a mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (each an "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, in whole or in part, conditionally or unconditionally, any Shares in respect of which such Existing Shareholder is shown by this prospectus to be the beneficial owner and such Shares as may be further subscribed by such Existing Shareholder or its affiliates on or before the Listing Date (the "**Existing Shares**") or any securities or any interest in any company or entity holding any Existing Shares (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 Existing Shares or any interest therein or other securities of our Company), or deposit any Existing Shares or any interest therein or other securities of our Company, with a depositary in connection with the issue of depositary receipts;

(b) enter into any option, swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Existing Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Existing Shares or other securities of our Company);

(c) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the Securities and Futures Commission of Hong Kong, which shall mean a holding, or aggregate holdings, of 30% or more of the voting rights of a company, irrespective of whether that holding or aggregate holdings gives de facto control) at the level of its ultimate beneficial owner;

(d) enter into any transactions directly or indirectly with the same economic effect as any transaction described in (a), (b) or (c) above; or

(e) offer to or contract to or agree to or announce any intention to effect any transaction described in (a), (b), (c) or (d) above,

in each case, whether any such transaction described in (a), (b), (c), (d) or (e) above is to be settled by delivery of the Existing Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Existing Shareholder Lock-up Period), provided that the above restrictions shall not prevent any Existing Shareholder from transferring all or part of the Existing Shares: (i) as may be required by applicable law or regulation or by any competent authority; (ii) with the prior written consent of our Company and the Joint Sponsors (for themselves and on behalf of each of the International Underwriters and the Hong Kong Underwriters); or (iii) to any wholly-owned subsidiary of the Existing Shareholder, provided that such wholly-owned subsidiary transferee shall be subject to the same obligations and restrictions under the undertakings provided by the Existing Shareholder.

Hong Kong Underwriters' Interests in the Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this Prospectus, none of the Hong Kong Underwriters has any shareholding interest in the Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

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

International Underwriting Agreement

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, subject to the conditions set out therein, it is expected that the International Underwriters would, severally and not jointly, agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 39,085,000 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering.

Commissions and Expenses

The Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. The Underwriters may receive an additional incentive fee of up to 1.0% of the Offer Price of all the Offer Shares.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission attributable to such reallocated Hong Kong Offer Shares to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). The underwriting commission was determined between the Company and the Underwriters after arm's length negotiations with reference to current market conditions.

The aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$170.1 million (assuming (i) an Offer Price of HK$12.90 per Offer Share (being the mid-point of the indicative Offer Price range stated in this Prospectus), (ii) the full payment of the discretionary incentive fee, and (iii) the Over-allotment Option is not exercised at all), are payable and borne by the Company.

Joint Sponsors' Fee

An amount of US$500,000 is payable by the Company as sponsor fees to each of the Joint Sponsors, totalling an amount of US$1,000,000.

Other Services Provided by the Underwriters

The Joint Global Coordinators and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Joint Global Coordinators and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the Shares.

Indemnity

We have agreed to indemnify, among others, the Joint Global Coordinators, 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 arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement as the case may be.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this Prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, such as the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(1) the Hong Kong Public Offering of initially 26,058,000 Shares in Hong Kong as described below in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" below; and

(2) the International Offering of an aggregate of initially 234,511,000 Shares to be offered to (i) to persons in the United States or to or for the account or benefit of, U.S. Persons, in each case that are Qualified Institutional Buyers in transactions exempt from or not subject to the registration requirements of the Securities Act in reliance on Rule 144A; or (ii) outside the United States to investors in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, as representatives of the International Underwriters, have an option to require the Company to issue and allot up to an aggregate of 39,085,000 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocation in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 10% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 11.3% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed "Structure of the Global Offering – The International Offering – Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" below.

References in this Prospectus to applications, Application Forms, 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

The Company is initially offering 26,058,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 1.0% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, 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 "Structure of the Global Offering – Conditions of the Global Offering" below.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of 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 13,029,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached on the following basis:

- If the number of the Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Shares initially available under the Hong Kong Public Offering, then 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 78,171,000 Shares, representing approximately 30% of the Shares initially available under the Global Offering.

- If the number of the Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Shares initially available under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Shares available under the Hong Kong Public Offering will be 104,228,000 Shares, representing approximately 40% of the Shares initially available under the Global Offering.

- If the number of the Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Shares available under the Hong Kong Public Offering will be 130,285,000 Shares, representing approximately 50% of the 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 Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 52,114,000 Offer Shares (representing approximately 20% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative offer price range (i.e., HK$12.10 per Offer Share) stated in this Prospectus.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators 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/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he/she/it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$13.70 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Structure of the Global Offering – Pricing of the Global Offering" below, is less than the maximum price of HK$13.70 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for the Hong Kong Offer Shares."

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 234,511,000 International Offer Shares representing approximately 90% of the Offer Shares under the Global Offering and approximately 9% of the Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "Structure of the Global Offering – Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell the Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of the Hong Kong 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 mechanism described in the sub-section headed "– The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we expect to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 39,085,000 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at Offer Price to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.48% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in many 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 retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or its affiliates 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 Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing 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 Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as

compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases to be made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Hong Kong 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 Stabilizing Manager or its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing 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 Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 39,085,000 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

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-allocation for the purpose of preventing or minimizing any reduction in the market price;

(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 deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the 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, the Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or its affiliates 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 Stabilizing Manager, or its affiliates 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 Stabilizing Manager, or its affiliates or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing 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 Stabilizing Manager, or its affiliates 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 Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing 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 Stabilizing Manager, or its affiliates or any person acting for it, may not necessarily result in the market price 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 Stabilizing Manager, or its affiliates 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 applicants. 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, the Stabilizing Manager (or its affiliate(s)) may choose to borrow up to 39,085,000 Shares pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Listing Rules 10.07(3).

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International 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 around Friday, October 16, 2020 and in any event on or before Thursday, October 22, 2020 by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$13.70 per Offer Share and is expected to be not less than HK$12.10 per Offer Share unless to be otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Joint Global Coordinators, 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 these consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price stated below in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company 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 there to be posted on the website of the Hong Kong Stock Exchange **(www.hkexnews.hk)** and on the website of the Company **(http://www.simcere.com)** notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, the Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and the Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering 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. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

If the number of Offer Shares being offered under the Global Offering or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

The net proceeds of the Global Offering accruing to the Company (after deduction of underwriting commissions and other expenses in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$3,191.27 million (assuming an Offer Price per Offer Share of HK$12.90, being the mid-point of the Offer Price range of HK$12.10 to HK$13.70). The Offer Price under the Global Offering is expected to be announced on Thursday, October 22, 2020. The indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, October 22, 2020 on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of the Company **(http://www.simcere.com)**.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting."

ADMISSION OF THE SHARE INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and 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 Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 am in Hong Kong on Friday, October 23, 2020, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, October 23, 2020. Our Shares will be traded in board lots of 1,000 Shares each and the stock code of our Shares will be 2096.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment) and such listing permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Hong Kong Stock Exchange;

(b) the Offer Price having been fixed on or around the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on for themselves and on behalf of the Underwriters) and us on or before Thursday, October 22, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published at the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **http://www.simcere.com**. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks 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 are expected to be issued on Thursday, October 22, 2020 but will only become valid certificates of title at 8:00 a.m. on Friday, October 23, 2020 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 – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

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

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, 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.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act) or a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act; and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules and guidance letters issued by the Stock Exchange, or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, October 13, 2020 till 12:00 noon on Friday, October 16, 2020 from:

any of the following offices of the Hong Kong Underwriters:

Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F One International Finance Centre 1 Harbor View Street Central Hong Kong
UBS AG Hong Kong Branch	52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
CMB International Capital Limited	45/F, Champion Tower 3 Garden Road Central Hong Kong
CNCB (Hong Kong) Capital Limited	Room 2801, Lippo Centre Tower Two 89 Queensway Hong Kong

any of the following branches of the receiving bank, Bank of China (Hong Kong) Limited:

District	**Branch Name**	**Address**
Hong Kong Island	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui, Hong Kong
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon

District	Branch Name	Address
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road, Kowloon
New Territories	Tai Wai Branch	74-76 Tai Wai Road, Sha Tin, New Territories
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, October 13, 2020 till 12:00 noon on Friday, October 16, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SIMCERE PHARMACEUTICAL PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, October 13, 2020	–	9:00 a.m. to 5:00 p.m.
Wednesday, October 14, 2020	–	9:00 a.m. to 5:00 p.m.
Thursday, October 15, 2020	–	9:00 a.m. to 5:00 p.m.
Friday, October 16, 2020	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, October 16, 2020, the last application day or such later time as described in the paragraph headed "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf

all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) **agree** that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) **agree** to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned as set out in "– 15. Personal Collection" of this Prospectus to collect the share certificate(s) and/or refund check(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO Service Provider** by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (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 on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply," may apply through the **White Form eIPO** service for the Offer Shares to be allotted 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 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 Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO Service Provider** at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, October 13, 2020 until 11:30 a.m. on Friday, October 16, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, October 16, 2020 or such later time under the paragraph headed "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **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.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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 "**Simcere Pharmaceutical Group Limited**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree with the Company, for itself and for the benefit of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that the Shares are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, October 13, 2020 – 9:00 a.m. to 8:30 p.m.

- Wednesday, October 14, 2020 – 8:00 a.m. to 8:30 p.m.

- Thursday, October 15, 2020 – 8:00 a.m. to 8:30 p.m.

- Friday, October 16, 2020 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, October 13, 2020 until 12:00 noon on Friday, October 16, 2020 (24 hours daily, except on the last application day (Friday, October 16, 2020)).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, October 16, 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also 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 application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global

Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, October 16, 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing of the Global Offering."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a typhoon warning signal number 8 or above;

- an announcement of "extreme conditions" caused by a super typhoon by the Government of Hong Kong in accordance with revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019; and/or

- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 16, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, October 16, 2020 or if there is a typhoon warning signal number 8 or above, an announcement of "extreme conditions" caused by a super typhoon by the Government of Hong Kong in accordance with revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019, and/or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, October 22, 2020 on the Company's website at **http://www.simcere.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **http://www.simcere.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, October 22, 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 on a 24-hour basis from 8:00 a.m. on Thursday, October 22, 2020 to 12:00 midnight on Wednesday, October 28, 2020;

- by telephone enquiry line by calling 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, October 22, 2020, Friday, October 23, 2020, Tuesday, October 27, 2020 and Wednesday, October 28, 2020;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, October 22, 2020 to Saturday, October 24, 2020 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If Your Application is Revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or Its Agents Exercise Their Discretion to Reject Your Application:

The Company, the Joint Global Coordinators, the **White Form eIPO Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the Allotment of Hong Kong Offer Shares is Void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$13.70 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, October 22, 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Thursday, October 22, 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's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, October 23, 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this Prospectus has not been exercised. Investors who trade the Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

15. PERSONAL COLLECTION

(i) If You Apply Using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from the Hong Kong Share Registrar 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, October 22, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, October 22, 2020, by ordinary post and at your own risk.

(ii) If You Apply Using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Thursday, October 22, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, October 22, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If You Apply through a Designated CCASS Participant (other than a CCASS Investor Participant)***

  For Hong Kong Public Offering shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS Participant.

- ***If You are Applying as a CCASS Investor Participant***

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "How to apply for the Hong Kong Offer Shares – 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 22, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If You Apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar 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, October 22, 2020, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, October 22, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be 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 as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If You Apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, October 22, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, October 22, 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 22, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, October 22, 2020. Immediately following the credit of the Hong Kong Offer

Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, October 22, 2020.

16. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SIMCERE PHARMACEUTICAL GROUP LIMITED, MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Simcere Pharmaceutical Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-106, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2017, 2018 and 2019 and June 30, 2020, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 (the "Relevant Periods"), 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-106 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 13, 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 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 and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, 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 accountants consider 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 and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2017, 2018 and 2019 and June 30, 2020 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, 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 Hong Kong 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 Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 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 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 33(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

October 13, 2020

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	Year ended December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	Six months ended June 30, 2019 RMB'000 (unaudited)	2020 RMB'000
Revenue	*4*	3,867,908	4,514,204	5,036,658	2,414,023	1,925,413
Cost of sales		(586,301)	(771,195)	(888,486)	(428,429)	(388,130)
Gross profit		3,281,607	3,743,009	4,148,172	1,985,594	1,537,283
Other revenue	*5(a)*	70,351	67,538	91,507	40,719	43,072
Other net (loss)/gain	*5(b)*	(175,939)	90,501	15,941	10,271	(6,447)
Research and development costs		(212,309)	(447,148)	(716,412)	(252,532)	(454,091)
Selling and distribution expenses		(2,155,662)	(2,221,757)	(2,016,222)	(1,036,868)	(628,502)
Administrative and other operating expenses		(277,469)	(290,202)	(351,676)	(155,599)	(193,464)
Profit from operations		530,579	941,941	1,171,310	591,585	297,851
Finance income	*6(a)*	25,146	36,253	34,724	24,889	10,851
Finance costs	*6(a)*	(58,441)	(47,534)	(115,955)	(64,812)	(79,576)
Net finance costs		(33,295)	(11,281)	(81,231)	(39,923)	(68,725)
Share of losses of associates	*15*	–	(1,616)	(8,129)	(1,518)	(4,353)
Share of losses of a joint venture	*16*	–	–	(135)	–	(40)
Profit before taxation	*6*	497,284	929,044	1,081,815	550,144	224,733
Income tax	*7*	(146,872)	(195,357)	(78,191)	(89,136)	(39,898)
Profit for the year/period		350,412	733,687	1,003,624	461,008	184,835
Attributable to:						
Equity shareholders of the Company		350,409	733,687	1,003,624	461,008	185,518
Non-controlling interest		3	–	–	–	(683)
Profit for the year/period		350,412	733,687	1,003,624	461,008	184,835
Earnings per share	*11*					
Basic and diluted (RMB)		0.15	0.31	0.43	0.20	0.08

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	Year ended December 31, 2017	2018	2019	Six months ended June 30, 2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit for the year/period		350,412	733,687	1,003,624	461,008	184,835
Other comprehensive income for the year/period (after tax adjustments)	*10*					
Items that will not be reclassified to profit or loss:						
Financial assets at fair value through other comprehensive income (FVOCI) – net movement in fair value reserves (non-recycling), net of tax		(17,228)	(18,837)	(8,070)	3,493	133,077
Items that may be reclassified subsequently to profit or loss:						
Exchange difference on translation of financial statements of entities with functional currencies other than Renminbi ("RMB")		(14,618)	5,439	5,119	1,744	3,533
Other comprehensive income for the year/period		(31,846)	(13,398)	(2,951)	5,237	136,610
Total comprehensive income for the year/period		318,566	720,289	1,000,673	466,245	321,445
Attributable to:						
Equity shareholders of the Company		318,563	720,289	1,000,673	466,245	322,128
Non-controlling interest		3	–	–	–	(683)
Total comprehensive income for the year/period		318,566	720,289	1,000,673	466,245	321,445

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	As at June 30, 2020 RMB'000
Non-current assets					
Property, plant and equipment	*12*	1,175,943	1,375,462	1,869,740	2,038,514
Intangible assets	*13*	65,907	49,345	33,768	86,316
Goodwill	*14*	142,474	142,474	142,474	172,788
Interest in associates	*15*	–	18,384	159,364	330,124
Interest in a joint venture	*16*	–	–	5,065	5,025
Prepayments and deposits	*22*	10,772	21,653	325,090	127,781
Financial assets at fair value through other comprehensive income	*17*	51,531	31,242	157,189	235,732
Financial assets at fair value through profit or loss	*18*	769,707	859,664	901,841	897,574
Deferred tax assets	*30(b)*	194,663	174,483	274,698	252,835
		2,410,997	2,672,707	3,869,229	4,146,689
Current assets					
Financial assets at fair value through profit or loss	*18*	506,283	261,062	543,938	–
Trading securities	*19*	2,858	2,286	3,058	2,956
Inventories	*20*	187,241	233,869	248,174	294,944
Trade and bills receivables	*21*	697,975	951,310	1,336,916	1,651,492
Prepayments, deposits and other receivables	*22*	80,993	80,555	119,483	123,926
Taxation recoverable	*30(a)*	2,442	18,958	306	30,737
Loans to related parties and third parties	*23*	527,443	678,003	–	–
Pledged deposits	*24(b)*	194,068	240,569	290,962	904,477
Restricted deposits	*24(b)*	12,134	11,369	–	1,501
Cash and cash equivalents	*24(a)*	572,584	1,187,647	354,804	595,916
		2,784,021	3,665,628	2,897,641	3,605,949
Current liabilities					
Bank loans	*25*	855,580	1,979,321	1,643,978	2,279,197
Loans from related parties	*26*	138,855	203,852	–	–
Lease liabilities	*27*	19,955	13,678	26,206	37,975
Trade and bills payables	*28*	215,100	307,557	254,851	220,459
Other payables and accruals	*29*	1,262,628	1,506,967	1,417,945	1,325,363
Taxation payable	*30(a)*	39,673	100,025	85,525	137
		2,531,791	4,111,400	3,428,505	3,863,131
Net current assets/(liabilities)		252,230	(445,772)	(530,864)	(257,182)
Total assets less current liabilities		2,663,227	2,226,935	3,338,365	3,889,507

The accompanying notes form part of the Historical Financial Information.

	Note	As at December 31, 2017	2018	2019	As at June 30, 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans	*25*	297,477	78,019	1,139,171	1,201,228
Lease liabilities	*27*	5,740	42,990	131,601	219,530
Deferred income	*31*	344,102	331,370	470,525	463,216
Deferred tax liabilities	*30(b)*	232,755	208,422	116,604	146,717
Other payable		2,000	1,000	–	–
		882,074	661,801	1,857,901	2,030,691
NET ASSETS		1,781,153	1,565,134	1,480,464	1,858,816
CAPITAL AND RESERVES					
Share capital	*33*	34	34	210	210
Reserves	*33*	1,779,116	1,565,100	1,480,254	1,820,107
Total equity attributable to equity shareholders of the Company		1,779,150	1,565,134	1,480,464	1,820,317
Non-controlling interest		2,003	–	–	38,499
TOTAL EQUITY		1,781,153	1,565,134	1,480,464	1,858,816

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	As at June 30, 2020 RMB'000
Non-current assets					
Property, plant and equipment		–	562	320	162
Interest in subsidiaries	*1*	2,085,661	2,100,052	2,100,071	2,100,071
Financial assets at fair value through profit or loss	*18*	172,174	189,837	226,474	218,938
		2,257,835	2,290,451	2,326,865	2,319,171
Current assets					
Other receivables	*22*	–	283,192	87,621	5,555
Loans to related parties	*23*	–	14,290	90,951	89,120
Cash and cash equivalents	*24(a)*	10	128,258	2,385	9,661
		10	425,740	180,957	104,336
Current liabilities					
Bank loans	*25*	175,580	173,524	174,522	176,495
Loans from related parties	*26*	1,860	38,604	203,904	139,976
Lease liabilities		–	298	264	109
Other payables	*29*	1,502	352,320	2,675	2,958
Taxation payable		–	62,500	8,300	–
		178,942	627,246	389,665	319,538
Net current liabilities		(178,932)	(201,506)	(208,708)	(215,202)
Total assets less current liabilities		2,078,903	2,088,945	2,118,157	2,103,969
Non-current liabilities					
Lease liabilities		–	258	–	–
NET ASSETS		2,078,903	2,088,687	2,118,157	2,103,969
CAPITAL AND RESERVES					
Share capital	*33*	34	34	210	210
Reserves	*33*	2,078,869	2,088,653	2,117,947	2,103,759
TOTAL EQUITY		2,078,903	2,088,687	2,118,157	2,103,969

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	**Share capital** *RMB'000*	**Other reserve** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Fair value reserve (non-recycling)** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interest** *RMB'000*	**Total equity** *RMB'000*
Balance at January 1, 2017		–	554,278	252,150	37,229	(3,413)	661,369	1,501,613	–	1,501,613
Changes in equity for 2017:										
Profit for the year		–	–	–	–	–	350,409	350,409	3	350,412
Other comprehensive income	*10*	–	–	–	(14,618)	(17,228)	–	(31,846)	–	(31,846)
Total comprehensive income		–	–	–	(14,618)	(17,228)	350,409	318,563	3	318,566
Appropriation of reserve	*33(d)(ii)*	–	–	44,903	–	–	(44,903)	–	–	–
Equity settled share-based transactions	*32*	–	15,150	–	–	–	–	15,150	–	15,150
Capital contribution from non-controlling interest		–	–	–	–	–	–	–	2,000	2,000
Deemed distribution upon the Reorganization and business combination under common control	*1*	34	(56,210)	–	–	–	–	(56,176)	–	(56,176)
Balance at December 31, 2017		34	513,218	297,053	22,611	(20,641)	966,875	1,779,150	2,003	1,781,153

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company								
		Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at December 31, 2017 and January 1, 2018		34	513,218	297,053	22,611	(20,641)	966,875	1,779,150	2,003	1,781,153
Changes in equity for 2018:										
Profit for the year		–	–	–	–	–	733,687	733,687	–	733,687
Other comprehensive income	*10*	–	–	–	5,439	(18,837)	–	(13,398)	–	(13,398)
Total comprehensive income		–	–	–	5,439	(18,837)	733,687	720,289	–	720,289
Appropriation of reserve	*33(d)(ii)*	–	–	121,890	–	–	(121,890)	–	–	–
Appropriation of dividends	*33(b)*	–	–	–	–	–	(900,000)	(900,000)	–	(900,000)
Equity settled share-based transactions	*32*	–	5,695	–	–	–	–	5,695	–	5,695
Disposal of non-controlling interest		–	–	–	–	–	–	–	(2,003)	(2,003)
Deemed distribution upon business combination under common control	*1*	–	(40,000)	–	–	–	–	(40,000)	–	(40,000)
Balance at December 31, 2018		34	478,913	418,943	28,050	(39,478)	678,672	1,565,134	–	1,565,134

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	**Share capital** *RMB'000*	**Other reserve** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Fair value reserve (non-recycling)** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interest** *RMB'000*	**Total equity** *RMB'000*
Balance at December 31, 2018 and January 1, 2019		34	478,913	418,943	28,050	(39,478)	678,672	1,565,134	–	1,565,134
Changes in equity for 2019:										
Profit for the year		–	–	–	–	–	1,003,624	1,003,624	–	1,003,624
Other comprehensive income	*10*	–	–	–	5,119	(8,070)	–	(2,951)	–	(2,951)
Total comprehensive income		–	–	–	5,119	(8,070)	1,003,624	1,000,673	–	1,000,673
Appropriation of reserve	*33(d)(ii)*	–	–	77,757	–	–	(77,757)	–	–	–
Appropriation of dividends	*33(b)*	–	–	–	–	–	(635,070)	(635,070)	–	(635,070)
Ordinary shares issued	*33(c)*	176	–	–	–	–	–	176	–	176
Disposal of financial assets at fair value through other comprehensive income		–	–	–	–	447	(447)	–	–	–
Equity settled share-based transactions	*32*	–	14,151	–	–	–	–	14,151	–	14,151
Deemed distribution upon business combination under common control	*1*	–	(464,600)	–	–	–	–	(464,600)	–	(464,600)
Balance at December 31, 2019		210	28,464	496,700	33,169	(47,101)	969,022	1,480,464	–	1,480,464

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company								
		Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at December 31, 2019 and January 1, 2020		210	28,464	496,700	33,169	(47,101)	969,022	1,480,464	–	1,480,464
Changes in equity for the six months ended June 30, 2020:										
Profit for the period		–	–	–	–	–	185,518	185,518	(683)	184,835
Other comprehensive income	*10*	–	–	–	3,533	133,077	–	136,610	–	136,610
Total comprehensive income		–	–	–	3,533	133,077	185,518	322,128	(683)	321,445
Disposal of financial assets at fair value through other comprehensive income		–	–	–	–	(12,181)	12,181	–	–	–
Equity settled share-based transactions	*32*	–	17,725	–	–	–	–	17,725	–	17,725
Acquisition of a subsidiary	*37*	–	–	–	–	–	–	–	39,182	39,182
Balance at June 30, 2020		210	46,189	496,700	36,702	73,795	1,166,721	1,820,317	38,499	1,858,816

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company								
		Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)										
Balance at December 31, 2018 and January 1, 2019		34	478,913	418,943	28,050	(39,478)	678,672	1,565,134	–	1,565,134
Changes in equity for the six months ended June 30, 2019:										
Profit for the period		–	–	–	–	–	461,008	461,008	–	461,008
Other comprehensive income	*10*	–	–	–	1,744	3,493	–	5,237	–	5,237
Total comprehensive income		–	–	–	1,744	3,493	461,008	466,245	–	466,245
Appropriation of dividends	*33(b)*	–	–	–	–	–	(635,070)	(635,070)	–	(635,070)
Ordinary shares issued	*33(c)*	176	–	–	–	–	–	176	–	176
Equity settled share-based transactions	*32*	–	2,498	–	–	–	–	2,498	–	2,498
Deemed distribution upon business combination under common control	*1*	–	(464,600)	–	–	–	–	(464,600)	–	(464,600)
Balance at June 30, 2019		210	16,811	418,943	29,794	(35,985)	504,610	934,383	–	934,383

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Year ended December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	Six months ended June 30, 2019 RMB'000 (unaudited)	2020 RMB'000
Operating activities						
Cash generated from operations	*24(c)*	1,062,550	930,500	1,037,660	844,543	(84,383)
Tax paid	*30(a)*	(123,474)	(154,683)	(264,857)	(190,191)	(143,275)
Net cash generated from/ (used in) operating activities		939,076	775,817	772,803	654,352	(227,658)
Investing activities						
Payment for the acquisition of property, plant and equipment		(292,200)	(335,216)	(507,658)	(245,632)	(168,365)
Proceeds from disposal of property, plant and equipment		850	357	3,197	226	651
Increase/(decrease) in asset-related government grants		527,104	(260,595)	166,538	–	5,820
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	–	1,726	–	77,863
Dividend received from financial assets at fair value through other comprehensive income		–	–	1,401	1,401	15,353
Payment for acquisition of financial assets at fair value through other comprehensive income		–	–	(137,101)	–	–
Proceeds from disposal of financial assets measured at fair value through profit or loss		804,613	1,154,026	972,980	419,682	637,898
Payment for acquisition of financial assets measured at fair value through profit or loss		(1,407,764)	(896,712)	(1,272,954)	(135,776)	(85,527)
Acquisition of subsidiaries, net		(10,200)	–	–	–	1,759
Payment for acquisition of interest in associates		–	(20,000)	(149,109)	(4,000)	–
Payment for acquisition of interest in a joint venture		–	–	(5,200)	–	–
Payments of deposits for investment		–	–	(260,351)	(50,000)	–
Proceeds from trading securities		78	49	47	–	–
New loans to related parties		(263,748)	(940,730)	(416,634)	(244,969)	–
Repayment of loans to third parties		2,199	20,000	–	–	–
Repayment of loans to related parties		119,839	783,436	900,261	48,213	–
Interest received		10,839	22,984	109,929	9,901	10,721
Net cash (used in)/generated from investing activities		(508,390)	(472,401)	(592,928)	(200,954)	496,173

The accompanying notes form part of the Historical Financial Information.

	Note	Year ended December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	Six months ended June 30, 2019 RMB'000 (unaudited)	2020 RMB'000
Financing activities						
Capital element of lease rental paid	*24(d)*	(8,046)	(27,944)	(34,163)	(18,245)	(17,915)
Interest element of lease rental paid	*24(d)*	(1,258)	(1,607)	(7,122)	(3,341)	(5,124)
Proceeds from new bank loans	*24(d)*	774,459	1,646,831	2,605,640	1,276,430	1,544,783
Repayment of bank loans	*24(d)*	(843,110)	(743,524)	(1,883,549)	(888,541)	(858,022)
Interest paid	*24(d)*	(50,281)	(37,513)	(141,191)	(61,103)	(77,527)
New loans from related parties	*24(d)*	34,057	296,895	11,796	–	35,506
Repayment of loans from related parties	*24(d)*	(640)	(238,643)	(141,793)	(31,984)	(35,506)
Increase in pledged deposits for banking facilities		(193,932)	(6,000)	(90,000)	(390,000)	(613,000)
Decrease/(increase) in cash received under share incentive scheme		(4,390)	13,849	43,910	(400)	–
Capital contribution from non-controlling interest		2,000	–	–	–	–
Disposal of non-controlling interest		–	(2,003)	–	–	–
Capital contribution from equity shareholders of the Company	*33(c)*	–	–	176	176	–
Dividends paid to equity shareholders of the Company	*33(b)*	–	(549,056)	(912,054)	(912,054)	–
Deemed distribution upon the Reorganization and business combination under common control		(56,176)	(40,000)	(464,600)	–	–
Net cash (used in)/generated from financing activities		(347,317)	311,285	(1,012,950)	(1,029,062)	(26,805)
Net increase/(decrease) in cash and cash equivalents		83,369	614,701	(833,075)	(575,664)	241,710
Cash and cash equivalents at the beginning of the year/period	*24(a)*	489,333	572,584	1,187,647	1,187,647	354,804
Effect of foreign exchange rate changes		(118)	362	232	(246)	(598)
Cash and cash equivalents at the end of the year/period	*24(a)*	572,584	1,187,647	354,804	611,737	595,916
Significant non-cash investing and financing activities						
Net settlement of amounts due from and due to related parties		–	–	119,170	73,960	–

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Simcere Pharmaceutical Group Limited (the "Company") was incorporated in Hong Kong on November 30, 2015 as a limited liability company with its registered office at 43/F, AIA Tower, 183 Electric Road, North Point, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in the research and development, manufacturing and sales of pharmaceutical products as well as rendering promotion service of pharmaceutical products that are not manufactured by the Group.

During the Track Record Period, the abovementioned principal activities of the Group were carried out through Simcere Pharmaceutical Co., Ltd. ("Simcere Pharmaceutical," formerly known as Nanjing Simcere Dongyuan Pharmaceutical Co., Ltd), Hainan Simcere Pharmaceutical Co., Ltd. ("Hainan Simcere") and their subsidiaries. Both entities were held by the Company's parent company, Simcere Pharmaceutical Holding Limited ("SPHL"). As part of the Reorganization, the Company acquired the entire equity interests in Simcere Pharmaceutical and Hainan Simcere in June and September 2017 through issuance of 19,999 and 20,000 ordinary shares to SPHL, respectively. The Reorganization only involved inserting a newly formed entity with no substantive operations. Accordingly, the Reorganization has been accounted for using a principle similar to that for a reverse acquisition, with Simcere Pharmaceutical and Hainan Simcere treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Simcere Pharmaceutical and Hainan Simcere with the assets and liabilities of Simcere Pharmaceutical and Hainan Simcere recognized and measured at their historical carrying amounts prior to the Reorganization.

The Group also contemplated following business combination under common control during the Relevant Periods:

On January 26, 2017, SPHL and Hainan Simcere entered into an equity transfer agreement, pursuant to which SPHL agreed to transfer 25% equity interest in Shandong Simcere Biopharmaceutical Co., Ltd. ("Shandong Simcere") to Hainan Simcere, at a consideration of RMB93,000,000.

On February 28, 2017, Shandong Simcere and BioSciKin Precision Medical Holding Group Co., Ltd., which was controlled by the ultimate controlling shareholder of the Group, entered into an equity transfer agreement, pursuant to which Shandong Simcere agreed to acquire the entire equity interest in Simcere Biology Medical Technology Co., Ltd. at a consideration of RMB3,176,465.

On August 27, 2018, Simcere Pharmaceutical and Nanjing BioSciKin Pharmaceutical Industrial Co., Ltd., which was controlled by the ultimate controlling shareholder of the Group, entered into an equity transfer agreement, pursuant to which Simcere Pharmaceutical agreed to acquire the entire equity interest in Jiangsu Simcere Biological Pharmaceutical Co., Ltd. at a consideration of RMB50,000,000.

On June 10, 2019, Simcere Pharmaceutical and BioSciKin Precision Medical Holding Group Co., Ltd., entered into an equity transfer agreement, pursuant to which Simcere Pharmaceutical agreed to acquire the entire equity interest in Simcere (Shanghai) Pharmaceutical Co., Ltd. at a consideration of RMB464,600,000.

On June 20, 2019, the Company and State Good Group Limited, entered into an equity transfer agreement, pursuant to which the Company agreed to acquire the entire equity interest in Oy Simcere Europe Ltd. at a consideration of EUR2,500.

On June 27, 2019, Simcere Pharmaceutical and BioSciKin Precision Medical Holding Group Co., Ltd., entered into an equity transfer agreement, pursuant to which Simcere Pharmaceutical agreed to acquire the entire equity interest in Nanjing BioSciKin Biotechnology Development Co., Ltd. at nil consideration.

As these companies were controlled by the same controlling party before and after these transactions, the transaction has been accounted for as a business combination of entities under common control. Accordingly, for the purpose of presentation of the Historical Financial Information of the Group, the net assets of the combining entities are combined using the existing book values prior to these transactions. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for Simcere UK Limited, Oy Simcere Europe Ltd., Simcere of America Inc., Simgene LLC, Simcere Innovation, Inc. and Simgene Group Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Attributable equity interest held by the Company		Principal activities	Name of statutory auditor
			Directly	Indirectly		
Jiangsu Simcere Pharmaceutical Technology Co., Ltd. (江蘇先聲醫藥科技有限公司) *(Note (a) and (c))*	The People's Republic of China ("PRC") August 14, 2017	United States Dollar ("USD") 50,000,000	100%	–	Investment holding	KPMG Huazhen LLP
Simcere UK Limited *(Note (b))*	The United Kingdom December 20, 2017	Great Britain Pound ("GBP") 100	100%	–	Pharmaceutical related business development and cooperation	Not applicable
Oy Simcere Europe Ltd. *(Note (b))*	Finland September 14, 2007	Euro ("EUR") 2,500	100%	–	Pharmaceutical related business development and cooperation	Not applicable
Simcere Pharmaceutical Co., Ltd. (先聲藥業有限公司) *(Note (a) and (d))*	The PRC September 10, 1998	Chinese Yuan ("RMB") 380,287,820	–	100%	Manufacturing and sales of pharmaceutical products	Zhonghui Certified Public Accountants (中匯會計師事務所)/KPMG Huazhen LLP
Shanghai Xianyi Investment Management Partnership (Limited Partnership) (上海先益投資管理合夥企業(有限合夥)) *(Note (a) and (c))*	The PRC November 20, 2015	RMB468,000,000	–	100%	Investment holding	Anhui Dacheng Certified Public Accountants (安徽大成會計師事務所)
Hainan Simcere Pharmaceutical Co., Ltd. (海南先聲藥業有限公司) *(Note (a) and (d))*	The PRC April 28, 1993	RMB221,110,900	–	100%	Manufacturing and sales of pharmaceutical products	Zhonghui Certified Public Accountants (中匯會計師事務所)/KPMG Huazhen LLP
Jiangsu Simcere Biological Pharmaceutical Co., Ltd. (江蘇先聲生物製藥有限公司) *(Note (a) and (i))*	The PRC July 10, 2017	RMB50,000,000	–	100%	Research and development and manufacturing of biopharmaceutical products	Zhonghui Certified Public Accountants (中匯會計師事務所)

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities	Name of statutory auditor
Wuhu Simcere Zhongren Pharmaceutical Co., Ltd. ("Wuhu Simcere") (蕪湖先聲中人藥業有限公司) *(Note (a) and (d))*	The PRC September 19, 2008	RMB37,000,000	–	100%	Manufacturing and sales of pharmaceutical products	Anhui Dacheng Certified Public Accountants (安徽大成會計師事務所)
Simcere (Shanghai) Pharmaceutical Co., Ltd. (先聲(上海)醫藥有限公司) *(Note (a) and (e))*	The PRC December 16, 2011	RMB250,000,000	–	100%	Research and development of pharmaceutical products and property management	Zhonghui Certified Public Accountants (中匯會計師事務所)
Nanjing BioSciKin Biotechnology Development Co., Ltd. (南京百家匯生物科技發展有限公司) *(Note (a) and (b))*	The PRC December 13, 2018	RMB46,660,000	–	100%	Dormant	Not applicable
Simcere International Limited *(Note (g))*	Hong Kong June 19, 2014	USD10,000,000	–	100%	Pharmaceutical related business development and cooperation	PFR CPA Co., Limited/Yeung Man Wah & Co.
Simcere of America Inc. *(Note (b))*	The United States January 5, 2011	USD125	–	100%	Pharmaceutical related business development and cooperation and investment holding	Not applicable
Simcere Innovation, Inc. *(Note (b))*	The United States March 22, 2019	USD1	–	100%	Research and development of biopharmaceutical products	Not applicable
Jiangsu Simcere Pharmaceutical Co., Ltd. ("Jiangsu Simcere") (江蘇先聲藥業有限公司) *(Note (a) and (d))*	The PRC March 28, 1995	RMB168,800,000	–	100%	Sales and distribution of pharmaceutical products and research and development of pharmaceutical products	Zhonghui Certified Public Accountants (中匯會計師事務所)
Zigong Yirong Industrial Co., Ltd. (自貢市益榮實業有限公司) *(Note (a) and (b))*	The PRC September 2, 2005	RMB2,380,000	–	100%	Manufacturing of pharmaceutical ingredients	Not applicable

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities	Name of statutory auditor
Shanghai Simcere Pharmaceutical Co., Ltd. (上海先聲藥業有限公司) *(Note (a) and (f))*	The PRC July 20, 2000	RMB154,000,000	–	100%	Sales and distribution of pharmaceutical products	Zhonghui Certified Public Accountants (中匯會計師事務所)
Shandong Simcere Biopharmaceutical Co., Ltd. ("Shandong Simcere") (山東先聲生物製藥有限公司) *(Note (a) and (d))*	The PRC June 30, 1999	RMB30,128,150	–	100%	Manufacturing and sales of pharmaceutical products	Shandong Hexin Certified Public Accountants (山東和信會計師事務所)
Simcere Biology Medical Technology Co., Ltd. (先聲生物醫藥科技有限公司) *(Note (a) and (b))*	The PRC March 14, 2012	RMB50,000,000	–	100%	Research and development of biopharmaceutical products	Not applicable
BCY Pharm Co., Ltd. (江蘇博創園生物醫藥科技有限公司) *(Note (a) and (d))*	The PRC October 28, 2011	RMB24,500,000	–	52.14%	Research and development of biopharmaceutical products	Suzhou Easthigh Certified Public Accountants (蘇州東恒會計師事務所)
Simgene Group Limited *(Note (b))*	The Cayman Islands April 9, 2020	USD1	100%	–	Investment holding	Not applicable
Simgene LLC *(Note (b))*	The United States April 19, 2019	Not applicable	–	100%	Dormant	Not applicable
Simcere Industrial Co., Limited *(Note (j))*	Hong Kong August 28, 2017	Hong Kong dollar ("HKD") 1	–	100%	Investment holding	Yeung Man Wah & Co.
Shanghai Xianjing Biological Technology Co., Ltd. (上海先競生物科技有限公司) *(Note (a) and (b))*	The PRC April 23, 2020	USD nil	–	100%	Investment holding	Not applicable
Shanghai Xianbo Biological Technology Co., Ltd. ("Shanghai Xianbo") (上海先博生物科技有限公司) *(Note (a), (b) and (m))*	The PRC April 22, 2020	RMB nil	–	100%	Research and development and clinical trial of the cell therapies	Not applicable
Hainan Xianhui Industrial Co., Ltd. (海南先匯實業有限公司) *(Note (a), (b) and (k))*	The PRC June 1, 2016	Not applicable	–	–	Dormant	Not applicable

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities	Name of statutory auditor
Hainan Qitian Pharmaceutical Co., Ltd. (海南其天製藥有限公司) *(Note (a), (h) and (l))*	The PRC December 6, 1998	RMB8,400,000	–	–	Purification of pharmaceutical minerals	Hainan Haixin Accountant Affairs Office (海南海信會計師事務所)/Zhonghui Certified Public Accountants (中匯會計師事務所)

Notes:

(a) These entities are enterprises established in the PRC. The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.

(b) No audited statutory financial statements were prepared by those companies during the Relevant Periods.

(c) The statutory financial statements of these companies for the periods/years ended December 31, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. As at the date of this report, the audit of these companies' statutory financial statements for the year ended December 31, 2019 has not been completed.

(d) The statutory financial statements of these companies for the years ended December 31, 2017, 2018 and 2019 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.

(e) The statutory financial statements of these companies for the year ended December 31, 2019 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. No audited statutory financial statements were prepared by this company for the years ended December 31, 2017 and 2018.

(f) The statutory financial statements of this company for the years ended December 31, 2017 and 2018 were prepared in accordance with the Accounting Regulations for Business Enterprises applicable to the enterprises in the PRC. As at the date of this report, the audit of this company's statutory financial statements for the year ended December 31, 2019 has not been completed.

(g) The statutory financial statements of these companies for the periods/years ended December 31, 2017, 2018 and 2019 were prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standards issued by the HKICPA.

(h) The statutory financial statements of this company for the years ended December 31, 2017 and 2019 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. No audited statutory financial statements were prepared by this company for the year ended December 31, 2018.

(i) The statutory financial statements of this company for the years ended December 31, 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. No audited statutory financial statements were prepared by this company for the period ended December 31, 2017. As at the date of this report, the audit of this company's statutory financial statements for the year ended December 31, 2019 has not been completed.

(j) The statutory financial statements of this company for the periods/years ended December 31, 2017 and 2018 were prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standards issued by the HKICPA. As at the date of this report, the audit of this company's statutory financial statements for the year ended December 31, 2019 has not been completed.

(k) This company completed its deregistration on January 22, 2019.

(l) The Group transferred 100% equity interest of this company to Hainan Simcere BioSciKin Technology Development Co., Ltd., a related party controlled by the ultimate controlling shareholder of the Group, at nil consideration on April 29, 2020.

(m) Under the contractual arrangements between the Group and the registered shareholders of Shanghai Xianbo in April 2020, the Group acquired effective control over the financial and operational management and results of Shanghai Xianbo and is entitled to all the economic benefits derived from the operations of Shanghai Xianbo. Therefore, Shanghai Xianbo is a consolidated subsidiary of the Group.

All companies now comprising the Group have adopted December 31 as their financial year end date.

As at June 30, 2020, the Group had net current liabilities of RMB257,182,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Historical Financial Information has been prepared on a going concern basis, because the directors of the Company are of the opinion that based on the Group's ability to renew or refinance the banking facilities upon maturity, the Group's future capital expenditure in respect of its non-cancellable capital commitments and the working capital forecast of the Group for the twelve months ending June 30, 2021 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from June 30, 2020. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of amendments to HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs, including HKFRS 9, *Financial Instruments* and HKFRS 15, *Revenue from Contracts with Customers*, which are mandatory for the financial year beginning January 1, 2018, and HKFRS 16 *Leases*, which is mandatory for the financial period beginning on January 1, 2019, to the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2020 and not adopted in the Historical Financial Information are set out in Note 40.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand, unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies as set out below.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interest represents the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interest and the equity shareholders of the Company. Loans from holders of non-controlling interest and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and a joint venture

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)(ii)). Any the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and the associates or the joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(j)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and a joint venture, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 37(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(t)(iv)).

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in Note 2(t)(vi).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value). Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see Note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful life
Leasehold land *(see Note 2(i))*	over the period of leases
Plant and buildings	5 – 20 years or remaining lease terms
Machinery and equipment	3 – 10 years
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 2(j)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads. Other development expenditure is recognized as an expense in the period in which it is incurred.

Intangible assets that are acquired through business combination are stated at cost (the acquisition date fair value) less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(j)(ii)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life
Developed technology	10 – 16 years
Good Supply Practice ("GSP") licenses	3 – 5 years
Product trademarks	6 – 10 years

The developed technology and product trademarks of the Group are associated with different products arising from various business combinations and acquisitions from third parties. The useful lives of developed technology and product trademarks are estimated based on the remaining period of economic benefits to be derived from the respective products to be produced relying on the acquired developed technology and product trademarks. The Group estimates the period of economic benefits to be derived from the respective products based on the expected time period required for a pharmaceutical drug development from its discovery to commercialization and other factors, including the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on such assessment, the Group considers that the maximum economic useful life of developed technology and product trademarks held by the Group is 16 years. As the different products have different commercialization commencement dates, acquisition dates by the Group and the expected lifespan of economic benefits, the remaining useful life of the Group's developed technology and product trademarks varies at a range of 10 – 16 and 6 – 10 years, respectively.

The useful lives of GSP licenses are estimated based on the remaining valid period of the GSP licenses.

Both the period and method of amortization are reviewed annually.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and presents 'lease liabilities' separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(t)(iii).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties and third parties).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is twelve months past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(t)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– interest in associates and a joint venture; and

– interest in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment:

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue (see Note 2(t)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(m)).

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(v)).

(p) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

(ii) Share-based payments

Restricted shares

The fair value of share-based payment awards (i.e. restricted shares) granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of the restricted shares is measured at grant date by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total estimated fair value of the restricted shares is spread over the vesting period, taking into account the probability that the restricted shares will vest.

During the vesting period, the number of restricted shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of restricted shares that vest (with a corresponding adjustment to the capital reserve).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of pharmaceutical products

Revenue is recognized when the customer takes possession of and accepts the products.

(ii) Promotion service income

Promotion service income is recognized when the Group satisfies its promise to arrange for the pharmaceutical products to be provided by supplier to the customer.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method.

(v) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are presented in the consolidated statements of financial position by setting up the grant as deferred income and consequently are effectively recognized in profit or loss on a systematic basis over the useful life of the asset.

(vi) Dividends

Dividend income is recognized when the shareholder's right to receive payment is established.

(u) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

Notes 14, 17, 18, 19, 37(e) and 32 contains information about the assumptions and their risk factors relating to goodwill impairment, fair value of financial assets and fair value of restricted shares granted. Other key sources of estimation uncertainty are as follows:

(i) Impairments of non-financial assets

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired," and an impairment loss may be recognized in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(ii) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(iii) Impairment of trade and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(iv) Depreciation and amortization

Items of property, plant and equipment and intangible assets are depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortization expense for future periods are adjusted if there are significant changes from previous estimates.

(v) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognized only if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are research and development, manufacturing and sales of pharmaceutical products as well as rendering promotion service of pharmaceutical products that are not manufactured by the Group.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Sales of pharmaceutical products	3,836,979	4,309,148	4,800,323	2,283,550	1,803,398
Promotion service income	30,929	205,056	236,335	130,473	122,015
	3,867,908	4,514,204	5,036,658	2,414,023	1,925,413

The Group's revenue from contracts with customers were recognized at point in time for the Relevant Periods.

The Group's customer base is diversified and no customers with whom transactions have exceeded 10% of the Group's revenues for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020. Details of concentrations of credit risk arising from the customers are set out in Note 37(a).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2017, 2018 and 2019 and June 30, 2020, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

HKFRS 8, Operating Segments, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its revenue was generated in the PRC and all of its non-current operating assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

5 OTHER REVENUE AND OTHER NET (LOSS)/GAIN

(a) Other revenue

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants *(Note)*	52,252	47,029	65,885	28,755	32,514
Rental income	5,024	12,050	15,198	6,908	5,497
Gain on transfer of technology know-how	9,871	–	–	–	–
Property management income	854	1,783	3,911	1,772	1,441
Consulting and technology service income	789	4,580	2,614	535	1,383
Others	1,561	2,096	3,899	2,749	2,237
	70,351	67,538	91,507	40,719	43,072

Note: During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the Group received unconditional government grants of RMB37,592,000, RMB35,258,000, RMB40,568,000, RMB20,419,000 and RMB16,041,000, respectively, as rewards of the Group's contribution to technology innovation and regional economic development.

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the Group received conditional government grants of RMB264,509,000, RMB2,000,000, RMB166,538,000, RMB nil and RMB5,820,000, respectively as subsidies for plant relocation and construction and recognized such grants of RMB3,187,000, RMB3,137,000, RMB10,255,000, RMB2,026,000 and RMB16,473,000, respectively, in the consolidated statements of profit or loss when related conditions were satisfied. During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the Group received conditional government grants of RMB1,300,000, RMB71,000, RMB3,700,000, RMB2,000,000 and RMB4,590,000, respectively as encouragement of technology research and development and recognized such type of grants of RMB11,473,000, RMB8,634,000, RMB15,062,000, RMB6,310,000 and RMB nil, respectively, in the consolidated statements of profit when related conditions were satisfied.

(b) Other net (loss)/gain

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net foreign exchange (loss)/gain	(10,322)	9,811	(1,633)	(2,102)	(19,867)
Net gain/(loss) on disposal of property, plant and equipment	229	(456)	(3,483)	36	(3,053)
Net realized and unrealized gains/(losses) on trading securities	649	(523)	819	666	(102)
Net realized and unrealized (losses)/gains on financial assets at fair value through profit or loss	(166,495)	81,669	20,238	11,671	13,261
Gain on disposal of a subsidiary	–	–	–	–	1,552
Gain arising from business combination *(Note 38)*	–	–	–	–	1,762
	(175,939)	90,501	15,941	10,271	(6,447)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income from bank deposits	(3,906)	(5,922)	(13,373)	(9,901)	(10,721)
Interest income from loans to related parties	(20,060)	(30,224)	(21,351)	(14,988)	(130)
Interest income from loans to third parties	(1,180)	(107)	–	–	–
Finance income	(25,146)	(36,253)	(34,724)	(24,889)	(10,851)
Interest expenses on bank loans	53,171	40,545	108,661	60,719	78,937
Interest expenses on loans from related parties	4,012	6,745	6,606	3,545	298
Interest expenses on lease liabilities	1,258	1,607	7,122	3,341	5,124
Less: borrowing costs capitalized as construction in progress *(Note)*	–	(1,363)	(6,434)	(2,793)	(4,783)
Finance costs	58,441	47,534	115,955	64,812	79,576
Net finance costs	33,295	11,281	81,231	39,923	68,725

Note: The borrowing costs for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2019 and 2020 have been capitalized at rate 4.35%.

(b) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	472,309	578,170	884,604	406,713	497,628
Contributions to defined contribution retirement plans	33,421	47,583	49,421	24,768	9,426
Equity settled share-based payment expenses *(Note 32)*	15,150	5,695	14,151	2,498	17,725
	520,880	631,448	948,176	433,979	524,779

(c) Other items

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of inventories recognized as expenses *(Note i)*	510,522	571,293	677,361	312,832	295,560
Depreciation charge					
– owned property, plant and equipment	69,153	77,673	105,818	38,000	75,421
– right-of-use assets	17,953	25,768	41,114	20,951	22,412
Amortization of intangible assets	17,038	16,562	15,577	7,953	8,152
Research and development costs *(Note ii)*	212,309	447,148	716,412	252,532	454,091
Provision for impairment loss on trade and other receivables	4,441	1,614	1,657	4,302	7,662
(Reversal of)/provision for write-down of inventories	(923)	2,567	5,745	1,811	5,913
Auditors' remuneration					
– audit services	1,480	1,380	3,100	–	700
– non-audit services	–	–	183	–	–
Listing expenses	–	–	–	–	13,880

Notes:

(i) Cost of inventories recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, provision for write-down of inventories, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(ii) Research and development costs include amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC Corporate Income Tax					
Provision for the year/period	112,041	97,911	197,100	137,745	29,537
Under/(over)-provision in respect of prior years	2,323	608	609	525	(4,138)
	114,364	98,519	197,709	138,270	25,399

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Deferred tax					
Origination and reversal of temporary differences *(Note 30(b))*	32,508	96,838	(119,518)	(49,134)	14,499
Total income tax expense	146,872	195,357	78,191	89,136	39,898

Notes:

(i) Pursuant to the income tax rules and regulations of Hong Kong, the Company and the subsidiary in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020. During the Relevant Periods, the Company and the Group's subsidiary in Hong Kong did not have assessable profits which are subject to profit tax in Hong Kong.

(ii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the following specified subsidiaries:

According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32), Hainan Simcere obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2017 to 2019.

Shandong Simcere obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2017 to 2019.

Wuhu Simcere obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2017 to 2019.

Hainan Simcere, Shandong Simcere and Wuhu Simcere are currently applying for an extension of such preferential income tax treatment for another three years from 2020 to 2022. The directors of the Company believe that these companies will continue to enjoy such preferential tax rate of 15% pursuant to current applicable PRC tax laws and regulations.

Simcere Pharmaceutical obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2015 to 2017. Simcere Pharmaceutical renewed the qualification in 2018 and was entitled to a preferential income tax rate of 15% from 2018 to 2020.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC tax resident enterprises are levied withholding tax on dividends from their PRC resident investees for intra-group earnings accumulated beginning on January 1, 2008, at 10% (unless reduced by tax treaties or similar arrangements), respectively. Undistributed earnings generated prior to 2008 are exempt from such withholding tax.

Under the arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution). The Group met the beneficial owner requirements in 2019 and were entitled to a preferential rate of 5% since 2019.

(iii) Pursuant to the income tax rules and regulations of the United States, the Group's subsidiaries in the United States was liable to United States federal income tax determined by income ranges and state income tax during the Relevant Periods. The Group's subsidiaries in the United States did not have assessable profits during the Relevant Periods.

(iv) Pursuant to the income tax rules and regulations of the United Kingdom, the Group's subsidiary in the United Kingdom was liable to the United Kingdom corporation tax at a rate of 19% during the Relevant Periods.

(v) Pursuant to the income tax rules and regulations of Finland, the Group's subsidiary in Finland was liable to Finnish income tax at a rate of 20% during the Relevant Periods.

(vi) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	497,284	929,044	1,081,815	550,144	224,733
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25%	124,321	232,261	270,454	137,536	56,183
Tax effect of different tax rates	(87,255)	(80,015)	(134,456)	(60,963)	(30,429)
Tax effect of non-deductible expenses *(Note)*	23,126	16,684	21,389	5,939	12,325
Tax effect of non-taxable income	(6,070)	(18,746)	(6,340)	(2,633)	(3,023)
Tax effect of tax losses not recognized	7,570	6,896	6,293	2,717	29,682
Tax effect of temporary differences not recognized	33,086	407	2,553	356	738
Tax effect of bonus deduction for research and development costs	(9,987)	(37,504)	(54,169)	(16,893)	(25,527)
Tax effect of change in tax rates	(2,696)	7,900	10,630	3,487	3,113
Tax effect of previously unrecognized tax losses now utilized	(10)	–	(152)	(114)	(296)
Tax effect of previously unrecognized temporary differences now utilized	–	–	–	–	(2,913)
Provision/(reversal) of withholding tax on undistributed profits	62,464	66,866	(38,620)	19,179	4,183
Under/(over)-provision in prior years	2,323	608	609	525	(4,138)
Actual tax expense	146,872	195,357	78,191	89,136	39,898

Note: Tax effect of non-deductible expenses mainly represented tax effect of equity settled share-based payment expenses, losses on financial assets with capital in nature, expenses incurred by entities without assessable profits and other non-deductible expenses.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	2017 Total *RMB'000*
Executive directors							
Ren Jinsheng	–	1,491	–	40	1,531	6,156	7,687
Wan Yushan (appointed on November 19, 2019)	–	789	–	40	829	244	1,073
	–	2,280	–	80	2,360	6,400	8,760

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	2018 Total *RMB'000*
Executive directors							
Ren Jinsheng	–	1,495	–	43	1,538	–	1,538
Wan Yushan (appointed on November 19, 2019)	–	881	–	43	924	108	1,032
	–	2,376	–	86	2,462	108	2,570

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-Total *RMB'000*	Share-based payments *RMB'000*	2019 Total *RMB'000*
Executive directors							
Ren Jinsheng	–	1,496	360	38	1,894	–	1,894
Wan Yushan (appointed on November 19, 2019)	–	1,032	–	38	1,070	471	1,541
Zhang Cheng (appointed on November 19, 2019)	–	1,374	1,332	11	2,717	815	3,532
Tang Renhong (appointed on November 19, 2019)	–	820	659	32	1,511	643	2,154
Non-Executive directors							
Zhao John Huan (appointed on November 19, 2019)	–	–	–	–	–	–	–
Zhang Yi (appointed on November 19, 2019)	–	–	–	–	–	–	–
Independent non-executive directors							
Wang Xinhua (appointed on November 19, 2019)	30	–	–	–	30	–	30
Song Ruilin (appointed on November 19, 2019)	30	–	–	–	30	–	30
Wang Jianguo (appointed on November 19, 2019)	30	–	–	–	30	–	30
	90	4,722	2,351	119	7,282	1,929	9,211

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Six months ended June 30, 2019 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Executive directors							
Ren Jinsheng	–	749	180	22	951	–	951
Wan Yushan (appointed on November 19, 2019)	–	495	–	22	517	35	552
Tang Renhong (appointed on November 19, 2019)	–	187	134	8	329	–	329
	–	1,431	314	52	1,797	35	1,832

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Six months ended June 30, 2020 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ren Jinsheng	–	745	180	9	934	–	934
Wan Yushan	–	535	340	9	884	827	1,711
Zhang Cheng	–	1,705	1,620	9	3,334	1,631	4,965
Tang Renhong	–	627	409	18	1,054	1,607	2,661
Non-Executive directors							
Zhao John Huan	–	–	–	–	–	–	–
Zhang Yi (resigned on June 1, 2020)	–	–	–	–	–	–	–
Independent non-executive directors							
Wang Xinhua	180	–	–	–	180	–	180
Song Ruilin	180	–	–	–	180	–	180
Wang Jianguo	180	–	–	–	180	–	180
	540	3,612	2,549	45	6,746	4,065	10,811

Mr. Wan Yushan, Mr. Zhang Cheng and Dr. Tang Renhong were appointed as executive directors of the Company on November 19, 2019. All the executive directors are key management personnel of the Group during the Relevant Periods and their remuneration disclosed above include those for services rendered by them as key management personnel.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, zero, one, zero and one is director during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	7,929	9,835	8,544	5,739	6,800
Discretionary bonuses	1,800	2,295	5,012	3,374	1,926
Retirement scheme contributions	118	179	103	77	34
Share-based payments	1,526	1,390	2,095	232	3,601
	11,373	13,699	15,754	9,422	12,361

The emoluments of the four, five, four, five and four individuals with the highest emoluments during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively, are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
RMB1,000,001 to RMB2,000,000	1	–	–	3	1
RMB2,000,001 to RMB3,000,000	1	4	–	2	2
RMB3,000,001 to RMB4,000,000	2	1	2	–	–
RMB4,000,001 to RMB5,000,000	–	–	2	–	–
RMB6,000,001 to RMB7,000,000	–	–	–	–	1

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	Exchange differences on translation of financial statements *RMB'000*	Financial assets at fair value through other comprehensive income – net movement in fair value reserves (non-recycling) *RMB'000*	Total *RMB'000*
For the year ended December 31, 2017			
Before-tax amount	(14,618)	(23,588)	(38,206)
Tax benefit	–	6,360	6,360
Net-of-tax amount	(14,618)	(17,228)	(31,846)
For the year ended December 31, 2018			
Before-tax amount	5,439	(20,290)	(14,851)
Tax benefit	–	1,453	1,453
Net-of-tax amount	5,439	(18,837)	(13,398)
For the year ended December 31, 2019			
Before-tax amount	5,119	(9,348)	(4,229)
Tax benefit	–	1,278	1,278
Net-of-tax amount	5,119	(8,070)	(2,951)
For the six months ended June 30, 2020			
Before-tax amount	3,533	156,404	159,937
Tax expense	–	(23,327)	(23,327)
Net-of-tax amount	3,533	133,077	136,610
For the six months ended June 30, 2019 (unaudited)			
Before-tax amount	1,744	4,205	5,949
Tax expense	–	(712)	(712)
Net-of-tax amount	1,744	3,493	5,237

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB350,409,000, RMB733,687,000, RMB1,003,624,000, RMB461,008,000 and RMB185,518,000 for each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, and the weighted average number of ordinary shares in issue after adjusting the share issue at nominal value pursuant to a written resolution of the board of directors of the Company passed on June 21, 2019, calculated as follows:

Weighted average number of ordinary shares

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
Ordinary shares at January 1	1	40,000	40,000	40,000	40,000
Effect of shares issued upon Reorganization under common control *(Note i)*	39,999	–	–	–	–
Effect of shares issued at nominal value *(Note ii)*	2,345,077,618	2,345,077,618	2,345,077,618	2,345,077,618	2,345,077,618
Weighted average number of ordinary shares at December 31	2,345,117,618	2,345,117,618	2,345,117,618	2,345,117,618	2,345,117,618

Notes:

(i) As described in Note 33(c)(i), 39,999 ordinary shares were issued to the immediate parent of the Company, SPHL, in exchange of the equity interest of Simcere Pharmaceutical and Hainan Simcere during the year ended December 31, 2017 as part of the Reorganization. The number of ordinary shares outstanding before the shares issue was adjusted for the proportionate increase in the number of ordinary shares outstanding, as if the shares issue had occurred at the beginning of 2017.

(ii) The number of ordinary shares outstanding before the shares issue at nominal value (Note 33(c)(ii)) was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the shares issue at nominal value had occurred at the beginning of the earliest period presented.

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the Relevant Periods.

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold Land *RMB'000*	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:							
At January 1, 2017	147,845	485,852	375,763	64,634	38,872	159,763	1,272,729
Additions	51,861	24,715	62,714	7,019	1,392	208,418	356,119
Transfers	–	–	1,580	–	–	(1,580)	–
Disposals	–	–	(3,212)	(1,156)	(2,983)	–	(7,351)
At December 31, 2017 and January 1, 2018	199,706	510,567	436,845	70,497	37,281	366,601	1,621,497
Additions	–	65,841	39,384	12,213	1,919	184,238	303,595
Transfers	–	49,182	51,513	672	252	(101,619)	–
Disposals	–	–	(12,501)	(3,980)	(4,585)	–	(21,066)
At December 31, 2018 and January 1, 2019	199,706	625,590	515,241	79,402	34,867	449,220	1,904,026
Additions	22,890	199,897	112,359	18,671	1,385	292,865	648,067
Transfers	–	337,297	118,484	4,479	–	(460,260)	–
Disposals	–	(2,164)	(84,116)	(14,481)	(4,172)	–	(104,933)
At December 31, 2019 and January 1, 2020	222,596	1,160,620	661,968	88,071	32,080	281,825	2,447,160
Business combination *(Note 38)*	–	–	–	174	–	–	174
Additions	116	142,242	49,190	28,537	655	49,397	270,137
Transfers	–	29,283	37,026	19,929	–	(86,238)	–
Disposals	–	(6,630)	(16,784)	(3,070)	(2,252)	–	(28,736)
At June 30, 2020	222,712	1,325,515	731,400	133,641	30,483	244,984	2,688,735
Accumulated depreciation:							
At January 1, 2017	14,228	53,118	219,466	44,700	33,666	–	365,178
Charge for the year	3,961	37,361	38,323	6,131	1,330	–	87,106
Written back on disposals	–	–	(2,838)	(909)	(2,983)	–	(6,730)
At December 31, 2017 and January 1, 2018	18,189	90,479	254,951	49,922	32,013	–	445,554
Charge for the year	4,146	46,137	42,876	8,688	1,594	–	103,441
Written back on disposals	–	–	(11,965)	(3,881)	(4,585)	–	(20,431)

	Leasehold Land *RMB'000*	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At December 31, 2018 and January 1, 2019	22,335	136,616	285,862	54,729	29,022	–	528,564
Charge for the year	4,141	76,456	54,003	10,543	1,789	–	146,932
Written back on disposals	–	(442)	(79,495)	(13,986)	(4,153)	–	(98,076)
At December 31, 2019 and January 1, 2020	26,476	212,630	260,370	51,286	26,658	–	577,420
Charge for the period	2,339	51,937	32,725	9,845	987	–	97,833
Written back on disposals	–	(4,576)	(15,491)	(2,713)	(2,252)	–	(25,032)
At June 30, 2020	28,815	259,991	277,604	58,418	25,393	–	650,221
Net book value:							
At December 31, 2017	181,517	420,088	181,894	20,575	5,268	366,601	1,175,943
At December 31, 2018	177,371	488,974	229,379	24,673	5,845	449,220	1,375,462
At December 31, 2019	196,120	947,990	401,598	36,785	5,422	281,825	1,869,740
At June 30, 2020	193,897	1,065,524	453,796	75,223	5,090	244,984	2,038,514

Notes:

(i) As at December 31, 2017, 2018 and 2019 and June 30, 2020, property certificates of certain properties and leasehold land with an aggregate net book value of RMB115,738,000, RMB112,885,000, RMB349,352,000 and RMB339,878,000, respectively, are yet to be obtained.

(ii) Certain property, plant and equipment of the Group were pledged as security for bank loans. Details are set out as follows:

	At December 31,			As at June 30,
	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Leasehold land	15,263	14,910	53,991	53,293
Plant and buildings	185,825	176,480	224,935	220,923
Aggregate carrying value of pledged property, plant and equipment	201,088	191,390	278,926	274,216

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land	181,517	177,371	196,120	193,897
Plant and buildings	19,750	57,045	155,374	252,914
	201,267	234,416	351,494	446,811

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	At December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
Leasehold land	3,961	4,146	4,141	2,205	2,339
Plant and buildings	13,992	21,622	36,973	18,746	20,073
	17,953	25,768	41,114	20,951	22,412
Interest on lease liabilities *(Note 6(a))*	1,258	1,607	7,122	3,341	5,124
Expense relating to short-term leases	3,034	6,260	7,558	4,501	5,312

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, additions to right-of-use assets were RMB76,199,000, RMB58,917,000, RMB158,192,000 and RMB117,729,000, respectively. The additions included the increase of leasehold land of RMB51,861,000, RMB nil, RMB22,890,000 and RMB116,000, respectively, during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 and the remainder primarily related to the capitalized lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 24(e) and 27, respectively.

13 INTANGIBLE ASSETS

	Developed technology *RMB'000*	GSP licenses *RMB'000*	Product trademarks *RMB'000*	Total *RMB'000*
Cost:				
At January 1, 2017, December 31, 2017, December 31, 2018 and December 31, 2019	246,459	343	4,303	251,105
Business combination *(Note 38)*	60,700	–	–	60,700
At June 30, 2020	307,159	343	4,303	311,805
Accumulated amortization:				
At January 1, 2017	163,615	242	4,303	168,160
Charge for the year	16,937	101	–	17,038
At December 31, 2017 and January 1, 2018	180,552	343	4,303	185,198
Charge for the year	16,562	–	–	16,562
At December 31, 2018 and January 1, 2019	197,114	343	4,303	201,760
Charge for the year	15,577	–	–	15,577
At December 31, 2019 and January 1, 2020	212,691	343	4,303	217,337
Charge for the period	8,152	–	–	8,152
At June 30, 2020	220,843	343	4,303	225,489
Net book value:				
At December 31, 2017	65,907	–	–	65,907
At December 31, 2018	49,345	–	–	49,345
At December 31, 2019	33,768	–	–	33,768
At June 30, 2020	86,316	–	–	86,316

The Group's intangible assets as at December 31, 2017, 2018 and 2019 represent developed technology, GSP licenses and product trademarks acquired by the Group in connection with the acquisitions of the Group's major operating subsidiaries in the PRC prior to the Relevant Periods.

The addition of the Group's intangible assets during the six months ended June 30, 2020 represent developed technology acquired by the Group in connection with the acquisition of a subsidiary BCY Pharm Co., Ltd. Further details of the business combination are set out in Note 38.

14 GOODWILL

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	142,474	142,474	142,474	142,474
Business combination *(Note 38)*	–	–	–	30,314
Balance at the end of the year/period	142,474	142,474	142,474	172,788

Impairment tests for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the reportable segment. Goodwill is allocated to the Group's CGU as follows:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pharmaceutical business	142,474	142,474	142,474	142,474
BCY Pharm Co., Ltd.	–	–	–	30,314
	142,474	142,474	142,474	172,788

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using zero growth rate. The cash flows for the pharmaceutical business CGU are discounted using pre-tax discount rate of 15.2%, 14.3% and 15.0% as at December 31, 2017, 2018 and 2019. Key assumptions used for the value in use calculations are the discount rate and budgeted earnings before interest, taxes, depreciation and amortization ("EBITDA") growth rate in the five-year projection period. The discount rate was a pre-tax measure based on the risk-free rate in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the CGU. Budgeted EBITDA growth rate in the five-year projection period was estimated taking into account revenue, gross margins and operating expenses based on past performance and its expectation for market development.

The estimated recoverable amount of the pharmaceutical business CGU exceeded its carrying amount as at December 31, 2017, 2018 and 2019 by approximately RMB6,433,563,000, RMB6,167,622,000 and RMB5,705,333,000, respectively.

Management performed sensitivity analysis of two key assumptions that could significantly affect the recoverable amount. The following table shows the percentage point by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

Change required for carrying amount to equal recoverable amount (in percentage point)

	2017	2018	2019
Pharmaceutical business			
Increase in discount rate	+74.3%	+37.2%	+32.7%
Decrease in budgeted EBITDA growth rate (average of next five years)	-26.9%	-21.6%	-21.4%

The Group performs annual impairment test on goodwill at the end of the reporting year. The recoverable amount of the CGU based on the value-in-use calculations is higher than its carrying amount as at December 31, 2017, 2018 and 2019. Accordingly, no impairment loss for goodwill has been recognized in the consolidated statements of profit or loss. Also, based on the sensitivity analysis above, the Group concluded that a reasonably possible change in key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount as at December 31, 2017, 2018 and 2019. During the six months ended June 30, 2020, the directors of the Company did not identify any significant adverse changes in the operation of the Group and therefore, concluded there was no impairment indicator of goodwill at June 30, 2020.

15 INTEREST IN ASSOCIATES

The following list contains the particulars of the Group's associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Nanjing Bioheng Biotech Co., Ltd. ("Nanjing Bioheng") *(Note i)*	Incorporated	The PRC	RMB8,947,296	16%	–	16%	Research and development of biopharmaceutical products
BCY Pharm Co., Ltd. *(Note ii)*	Incorporated	The PRC	RMB24,500,000	52%	–	52%	Research and development of biopharmaceutical products
Xuancheng Menovo Pharmaceutical Co., Ltd. ("Xuancheng Menovo") *(Note iii)*	Incorporated	The PRC	RMB196,078,500	49%	–	49%	Development and manufacturing of pharmaceutical ingredients
3D Biological Medicines (Shanghai) Co., Ltd. ("3D Medicines") *(Note iv)*	Incorporated	The PRC	RMB197,564,792	13.4%	–	13.4%	Research and development of biopharmaceutical products

Notes:

(i) In April 2018, the Group acquired 20% of the equity interest in Nanjing Bioheng through capital injection of RMB20,000,000. The investment in Nanjing Bioheng, an innovative biopharmaceutical company focusing on disease treatment and service, enables the Group to have exposure to the development and clinical transformation of new immunotherapy for tumor through local expertise. In January 2019, the proportion of the Group's interest in Nanjing Bioheng has been diluted to 16% due to the new financing obtained by Nanjing Bioheng. The Group has a right to appoint one director to the board of Nanjing Bioheng in accordance with the investment agreement, therefore the directors of the Company are in the view that the Group can cast significant influence on Nanjing Bioheng and consider it is an associate of the Group.

(ii) In July 2019, the Group acquired 33% of the equity interest in BCY Pharm Co., Ltd. from a fellow subsidiary, BioSciKin Precision Medical Holding Group Co., Ltd., at a consideration of RMB33,429,000. The investment in BCY Pharm Co., Ltd., a company engaged in research and development of innovative biopharmaceutical products focusing on treatment of psoriasis, enables the Group to explore commercialization cooperation opportunities in relevant sector.

On April 30, 2020, Nanjing BioSciKin Biotechnology Development Co., Ltd., the Group's wholly owned subsidiary incorporated in the PRC, entered into an agreement with BCY Pharm Co., Ltd. and its shareholders, and acquired additional 19.14% equity interest of BCY Pharm Co., Ltd., through additional capital injection of RMB40,000,000. Upon the completion of the transaction on May 13, 2020, the Group held 52.14% equity interest in BCY Pharm Co., Ltd. and BCY Pharm Co., Ltd. became a subsidiary of the Group.

(iii) In June 2019, the Group acquired 49% of the equity interest in Xuancheng Menovo through capital injection of RMB111,680,000. Xuancheng Menovo, being a subsidiary of Ningbo Menovo Pharmaceutical Co., Ltd., a company listed on the main board of Shanghai Stock Exchange, is a business partner of the Group in development and manufacturing of pharmaceutical ingredients.

(iv) In December 2019, the Group signed an capital injection agreement with original shareholders of 3D Medicines and 3D Medicines to inject US$40,000,000 capital in exchange of 17.9% of equity interest of 3D Medicines. As of June 30, 2020, the Group injected US$30,000,000 (equivalent to RMB210,351,000) which represents an effective ownership interest of 13.4%. The remaining capital will be injected to 3D Medicines upon the completion of certain conditions as stipulated in the capital injection agreement. 3D Medicines is a company engaged in research and development of innovative biopharmaceutical products and immune-oncology therapies. The investment in 3D Medicines enhances the Group's further exploration and development in the relevant sector. The Group has a right to appoint two directors to the board of 3D Medicines in accordance with the investment agreement, therefore the directors of the Company are in the view that the Group can cast significant influence on 3D Medicines and consider it is an associate of the Group.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the material associates, Xuancheng Menovo and 3D Medicines, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	31 December 2019	**30 June 2020**
	RMB'000	*RMB'000*
Gross amounts of Xuancheng Menovo's		
Current assets	69,087	57,811
Non-current assets	382,585	407,685
Current liabilities	(136,750)	(152,267)
Non-current liabilities	(120,600)	(117,572)
Equity	194,322	195,657

	31 December 2019 *RMB'000*	30 June 2020 *RMB'000*
Revenue	9,747	46,150
(Loss)/profit from continuing operations	(8,259)	1,335
Other comprehensive income	–	–
Total comprehensive income	(8,259)	1,335
Reconciled to the Group's interest in Xuancheng Menovo		
Gross amounts of net assets of Xuancheng Menovo	194,322	195,657
Group's effective interest	49%	49%
Group's share of net assets of Xuancheng Menovo	95,218	95,872
Goodwill	13,582	13,582
Carrying amount of in the consolidated financial statements	108,800	109,454
Group's share of Xuancheng Menovo's		
(Loss)/profit from continuing operations	(2,880)	654
Other comprehensive income	–	–
Total comprehensive income	(2,880)	654

	30 June 2020 *RMB'000*
Gross amounts of 3D Medicines's	
Current assets	63,231
Non-current assets	796,508
Current liabilities	(254,311)
Non-current liabilities	–
Equity	605,428
Revenue	102
Loss from continuing operations	(63,922)
Other comprehensive income	–
Total comprehensive income	(63,922)
Reconciled to the Group's interest in 3D Medicines	
Gross amounts of net assets of 3D Medicines	605,428
Group's effective interest	13.4%
Group's share of net assets of 3D Medicines	81,174
Goodwill	128,815
Carrying amount of in the consolidated financial statements	209,989
Group's share of 3D Medicines's	
Loss from continuing operations	(362)
Other comprehensive income	–
Total comprehensive income	(362)

The Group assesses whether this is any objective evidence that its interest in the associates are impaired at the end of each reporting period by considering the associates' business development process, any significant financial difficulty, default or bankruptcy encountered by the associates and adverse change in technological, market,

economic or legal environment. Based on the assessment above, the Group concluded that no impairment indicator was identified at the end of each reporting period and no impairment loss of interest in associates is considered necessary to be recognized in the consolidated statements of profit or loss.

Aggregate information of associates that are not individually material:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	–	18,384	50,564	10,681

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Aggregate amounts of the Group's share of those associates'					
Loss from continuing operations	–	(1,616)	(5,249)	(1,518)	(4,645)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	(1,616)	(5,249)	(1,518)	(4,645)

16 INTEREST IN A JOINT VENTURE

Details of the Group's interest in the joint venture as at June 30, 2020 which is accounted for using equity method in the consolidated financial statements are set out below:

				Proportion of ownership interest			
Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principle activity
Simnogen Biotech Ltd.	Incorporated	The PRC	USD4,000,000	51%	–	51%	Research and development of innovative pharmaceuticals and vaccine products

In June 2019, the Group acquired 51% of the equity interest in Simnogen Biotech Ltd. from a fellow subsidiary, BioSciKin Precision Medical Holding Group Co., Ltd., at a consideration of RMB5,200,000. Simnogen Biotech Ltd. is mainly engaged in research and development of innovative pharmaceutical and vaccine products. According to the articles of association, no single investor is in a position to control the investors' meeting nor no single director appointed by either investor is in a position to control the board of directors. Therefore, the directors of the Company consider that the Group does not have the ability to use its power over Simnogen Biotech Ltd. to affect its returns through its involvement and deem it to be a joint venture of the Group rather than a subsidiary.

Simnogen Biotech Ltd., the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Information of the joint venture that is not individually material:

	31 December 2019 *RMB'000*	30 June 2020 *RMB'000*
Carrying amount of the joint venture in the consolidated financial statements	5,065	5,025
Amount of the Group's share of the joint venture's		
Loss from continuing operations	(135)	(40)
Other comprehensive income	–	–
Total comprehensive income	(135)	(40)

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At December 31,			As at June 30,
	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Equity securities designated at FVOCI (non-recycling)				
– Listed equity securities	44,738	31,242	43,179	205,732
– Unlisted equity securities	6,793	–	114,010	30,000
	51,531	31,242	157,189	235,732

The listed equity securities at FVOCI (non-recycling), represent investment in listed equity securities issued by listed companies incorporated in the United States. The unlisted equity securities at FVOCI (non-recycling), represent investment in unlisted equity interest in private entities incorporated in the PRC and the Cayman Islands. These investments are engaged in research and development of innovative pharmaceutical products.

The Group designated these investments at FVOCI (non-recycling), as the investments are held for strategic purposes. No dividends were received on these investments during the Relevant Periods.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 37(e).

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	At December 31,			As at June 30,
	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Financial assets at FVPL – non-current				
– Unlisted investments	36,219	50,249	64,115	85,741
– Unlisted units in investment funds	733,488	809,415	837,726	811,833
	769,707	859,664	901,841	897,574
Financial assets at FVPL – current				
– Structured deposits and wealth management products	506,283	261,062	543,938	–
	1,275,990	1,120,726	1,445,779	897,574

The Company

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL – non-current				
– Unlisted investments	–	–	3,975	7,080
– Unlisted units in investment funds	172,174	189,837	222,499	211,858
	172,174	189,837	226,474	218,938

The Group's non-current balances of financial assets at FVPL represent investments in private entities incorporated in the PRC, the United States, the Cayman Islands and Singapore and units in investment funds incorporated in the PRC, the United States and the Cayman Islands. The Company's non-current balances of financial assets at FVPL represent investments in a private entity incorporated in the United States and units in an investment fund incorporated in the Cayman Islands. These investments are primarily engaged or further invested in the healthcare and pharmaceutical sectors.

The Group's current balances of financial assets at FVPL mainly represent structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return which will be paid together with the principal on the maturity date.

The analysis on the fair value measurement of the Group's above financial assets is disclosed in Note 37(e).

19 TRADING SECURITIES

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed equity securities	2,858	2,286	3,058	2,956

The analysis on the fair value measurement of the above financial assets is disclosed in Note 37(e).

20 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	51,782	71,695	82,364	91,413
Semi-finished goods	30,160	29,886	40,070	62,017
Finished goods	111,915	139,902	131,342	151,329
	193,857	241,483	253,776	304,759
Write down of inventories	(6,616)	(7,614)	(5,602)	(9,815)
	187,241	233,869	248,174	294,944

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Carrying amount of inventories sold	511,445	568,726	671,616	311,021	289,647
(Reversal of)/provision for write-down of inventories	(923)	2,567	5,745	1,811	5,913
	510,522	571,293	677,361	312,832	295,560

All inventories are expected to be recovered within one year.

21 TRADE AND BILLS RECEIVABLES

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	286,232	554,059	985,117	1,284,758
Bills receivable	422,477	409,249	364,585	387,130
	708,709	963,308	1,349,702	1,671,888
Less: loss allowance	(10,734)	(11,998)	(12,786)	(20,396)
	697,975	951,310	1,336,916	1,651,492

All of the trade and bills receivables are expected to be recovered within one year.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	504,533	814,415	1,072,544	909,645
Over 3 months but within 12 months	191,542	136,663	264,272	737,286
Over 12 months	1,900	232	100	4,561
	697,975	951,310	1,336,916	1,651,492

Trade and bills receivables are due within 30 – 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 37(a).

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Prepayments for raw materials and expenses	31,027	31,772	52,215	52,033
Value added tax recoverable	11,945	9,576	30,337	27,084
Other deposits and receivables	40,949	42,485	41,078	49,008
	83,921	83,833	123,630	128,125
Less: loss allowance	(2,928)	(3,278)	(4,147)	(4,199)
	80,993	80,555	119,483	123,926
Non-current				
Prepayments for property, plant and equipment	10,772	21,653	64,739	77,781
Deposits for investments	–	–	260,351	50,000
	10,772	21,653	325,090	127,781

The Company	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Dividends receivable	–	283,000	83,000	–
Others	–	192	4,621	5,555
	–	283,192	87,621	5,555

All of prepayments, deposits and other receivables current balances are expected to be recovered or recognized as expense within one year.

The Group's deposits for investments as at December 31, 2019 represent the amount paid by the Group in connection with the Group's proposing investments with 3D Medicines and a third party company in the PRC which is principally engaged in research and development and application of investigational new drug. During the six months ended June 30, 2020, the investment with 3D Medicines was completed. At June 30, 2020, the remaining investment transaction was yet to be completed.

23 LOANS TO RELATED PARTIES AND THIRD PARTIES

The Group

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Loans to related parties	504,447	676,790	–	–
Loans to third parties	22,996	1,213	–	–
	527,443	678,003	–	–

The Company

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Loans to related parties	–	14,290	90,951	89,120

At December 31, 2017 and 2018, the loans to related parties were subject to interest rates, ranging from 4.35% to 6.00% per annum, unsecured and have no fixed repayment terms.

At December 31, 2017 and 2018, the loans to third parties were subject to interest rates, ranging from 5.10% to 6.00% per annum, and have no fixed repayment terms.

At December 31, 2018 and 2019 and June 30, 2020, the Company's loans to related parties were subject to interest rates, ranging from nil to 4.35% per annum, and have no fixed repayment terms.

24 CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED DEPOSITS

(a) Cash and cash equivalents comprise:

The Group

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	572,578	1,187,644	354,760	595,885
Cash in hand	6	3	44	31
	572,584	1,187,647	354,804	595,916

The Company

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	10	128,258	2,385	9,661

(b) Pledged deposits and restricted deposits comprise:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged deposits for				
– issuance of bills payable and letters of credit	68	40,569	962	1,477
– banking facilities	194,000	200,000	290,000	903,000
	194,068	240,569	290,962	904,477

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted deposits for				
– research and development projects	12,134	11,369	–	1,501

The pledged deposits will be released upon the settlement of the relevant bills payable and letters of credit by the Group or the termination of relevant banking facilities. The restricted deposits will be used for funding certain research and development projects.

(c) Reconciliation of profits before taxation to cash generated from/(used in) operations

		Year ended December 31,			Six months ended June 30,	
	Note	2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit before taxation		497,284	929,044	1,081,815	550,144	224,733
Adjustments for:						
Depreciation of property, plant and equipment	*6(c)*	87,106	103,441	146,932	58,951	97,833
Amortization of intangible assets	*6(c)*	17,038	16,562	15,577	7,953	8,152
Net finance costs	*6(a)*	33,295	11,281	81,231	39,923	68,725
Share of losses of associates	*15*	–	1,616	8,129	1,518	4,353
Share of losses of a joint venture	*16*	–	–	135	–	40
Net (gain)/loss on disposal of property, plant and equipment	*5(b)*	(229)	456	3,483	(36)	3,053
Net realized and unrealized (gains)/losses on trading securities	*5(b)*	(649)	523	(819)	(666)	102
Net realized and unrealized losses/(gains) on financial assets at fair value through profit or loss	*5(b)*	166,495	(81,669)	(20,238)	(11,671)	(13,261)

	Note	Year ended December 31, 2017 RMB'000	2018 RMB'000	2019 RMB'000	Six months ended June 30, 2019 RMB'000 (unaudited)	2020 RMB'000
Gain on disposal of a subsidiary	5(b)	–	–	–	–	(1,552)
Gain arising from business combination	38	–	–	–	–	(1,762)
Equity settled share-based payment expenses	32	15,150	5,695	14,151	2,498	17,725
Impairment loss on trade and other receivables	6(c)	4,441	1,614	1,657	4,302	7,662
(Reversal of)/provision for write-down of inventories	6(c)	(923)	2,567	5,745	1,811	5,913
Other revenue from asset-related government grants	5(a)	(3,187)	(3,137)	(10,255)	(2,026)	(16,473)
Foreign exchange loss/(gain) on bank loans		1,783	(2,056)	997	1,021	8,807
Operating profit before changes in working capital		817,604	985,937	1,328,540	653,722	414,050
(Increase)/decrease in pledged deposits for issuance of bills payable and letters of credit and restricted deposits		(2,898)	(39,736)	50,976	10,982	(2,016)
Decrease/(increase) in inventories		20,219	(49,195)	(20,050)	6,435	(52,683)
Increase in trade and bills receivables		(26,404)	(254,599)	(386,394)	(8,120)	(322,186)
Decrease/(Increase) in prepayments, deposits and other receivables		12,724	88	(39,797)	(48,667)	(3,399)
Increase/(decrease) in trade and bills payables		45,299	92,457	(52,706)	100,361	(34,849)
Increase/(decrease) in other payables and accruals		209,069	207,143	174,219	138,595	(86,643)
(Decrease)/increase in income-related deferred income		(13,063)	(11,595)	(17,128)	(8,765)	3,343
Cash generated from/(used in) operations		1,062,550	930,500	1,037,660	844,543	(84,383)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans *RMB'000* *(Note 25)*	Loans from related parties *RMB'000* *(Note 26)*	Lease liabilities *RMB'000* *(Note 27)*	Total *RMB'000*
At January 1, 2017	1,217,035	101,426	9,403	1,327,864
Changes from financing cash flows:				
Proceeds from bank loans	774,459	–	–	774,459
Repayment of bank loans	(843,110)	–	–	(843,110)
New loans from related parties	–	34,057	–	34,057
Repayment of loans from related parties	–	(640)	–	(640)
Capital element of lease rentals paid	–	–	(8,046)	(8,046)
Interest element of lease rentals paid	–	–	(1,258)	(1,258)
Interest paid	(50,281)	–	–	(50,281)
Total changes from financing cash flows	(118,932)	33,417	(9,304)	(94,819)
Exchange adjustments	1,783	–	–	1,783
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	24,338	24,338
Interest expenses *(Note 6(a))*	53,171	4,012	1,258	58,441
Total other changes	53,171	4,012	25,596	82,779
At December 31, 2017 and January 1, 2018	1,153,057	138,855	25,695	1,317,607
Changes from financing cash flows:				
Proceeds from bank loans	1,646,831	–	–	1,646,831
Repayment of bank loans	(743,524)	–	–	(743,524)
New loans from related parties	–	296,895	–	296,895
Repayment of loans from related parties	–	(238,643)	–	(238,643)
Capital element of lease rentals paid	–	–	(27,944)	(27,944)
Interest element of lease rentals paid	–	–	(1,607)	(1,607)
Interest paid	(37,513)	–	–	(37,513)
Total changes from financing cash flows	865,794	58,252	(29,551)	894,495
Exchange adjustments	(2,056)	–	–	(2,056)

	Bank loans *RMB'000* *(Note 25)*	Loans from related parties *RMB'000* *(Note 26)*	Lease liabilities *RMB'000* *(Note 27)*	Total *RMB'000*
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	58,917	58,917
Interest expenses *(Note 6(a))*	39,182	6,745	1,607	47,534
Capitalized borrowing costs *(Note 6(a))*	1,363	–	–	1,363
Total other changes	40,545	6,745	60,524	107,814
At December 31, 2018 and January 1, 2019	2,057,340	203,852	56,668	2,317,860
At January 1, 2019	2,057,340	203,852	56,668	2,317,860
Changes from financing cash flows:				
Proceeds from bank loans	2,605,640	–	–	2,605,640
Repayment of bank loans	(1,883,549)	–	–	(1,883,549)
New loans from related parties	–	11,796	–	11,796
Repayment of loans from related parties	–	(141,793)	–	(141,793)
Capital element of lease rentals paid	–	–	(34,163)	(34,163)
Interest element of lease rentals paid	–	–	(7,122)	(7,122)
Interest paid	(105,940)	(35,251)	–	(141,191)
Total changes from financing cash flows	616,151	(165,248)	(41,285)	409,618
Exchange adjustments	997	–	–	997
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	135,302	135,302
Interest expenses *(Note 6(a))*	102,227	6,606	7,122	115,955
Net settlement of amount due from and due to related parties	–	(45,210)	–	(45,210)
Capitalized borrowing costs *(Note 6(a))*	6,434	–	–	6,434
Total other changes	108,661	(38,604)	142,424	212,481
At December 31, 2019 and January 1, 2020	2,783,149	–	157,807	2,940,956
Changes from financing cash flows:				
Proceeds from bank loans	1,544,783	–	–	1,544,783
Repayment of bank loans	(858,022)	–	–	(858,022)
New loans from related parties	–	35,506	–	35,506
Repayment of loans from related parties	–	(35,506)	–	(35,506)
Capital element of lease rentals paid	–	–	(17,915)	(17,915)
Interest element of lease rentals paid	–	–	(5,124)	(5,124)
Interest paid	(77,229)	(298)	–	(77,527)

	Bank loans *RMB'000* *(Note 25)*	Loans from related parties *RMB'000* *(Note 26)*	Lease liabilities *RMB'000* *(Note 27)*	Total *RMB'000*
Total changes from financing cash flows	609,532	(298)	(23,039)	586,195
Exchange adjustments	8,807	–	–	8,807
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	117,613	117,613
Interest expenses *(Note 6(a))*	74,154	298	5,124	79,576
Capitalized borrowing costs *(Note 6(a))*	4,783	–	–	4,783
Total other changes	78,937	298	122,737	201,972
At June 30, 2020	3,480,425	–	257,505	3,737,930

	Bank loans *RMB'000* *(Note 25)*	Loans from related parties *RMB'000* *(Note 26)*	Lease liabilities *RMB'000* *(Note 27)*	Total *RMB'000*
(Unaudited)				
At January 1, 2019	2,057,340	203,852	56,668	2,317,860
Changes from financing cash flows:				
Proceeds from bank loans	1,276,430	–	–	1,276,430
Repayment of bank loans	(888,541)	–	–	(888,541)
Repayment of loans from related parties	–	(31,984)	–	(31,984)
Capital element of lease rentals paid	–	–	(18,245)	(18,245)
Interest element of lease rentals paid	–	–	(3,341)	(3,341)
Interest paid	(60,719)	(384)	–	(61,103)
Total changes from financing cash flows	327,170	(32,368)	(21,586)	273,216
Exchange adjustments	1,021	–	–	1,021
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	115,418	115,418
Interest expenses *(Note 6(a))*	57,926	3,545	3,341	64,812
Capitalized borrowing costs *(Note 6(a))*	2,793	–	–	2,793
Total other changes	60,719	3,545	118,759	183,023
At June 30, 2019	2,446,250	175,029	153,841	2,775,120

(e) Total cash flow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within operating cash flows	3,034	6,260	7,558	4,501	5,312
Within investing cash flows	51,861	–	22,890	–	116
Within financing cash flows	9,304	29,551	41,285	21,586	23,039
	64,199	35,811	71,733	26,087	28,467

These amounts relate to the following:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Lease rentals paid	12,338	35,811	48,843	26,087	28,351
Increase in leasehold land	51,861	–	22,890	–	116
	64,199	35,811	71,733	26,087	28,467

25 BANK LOANS

The maturity profile for the interest-bearing bank loans of the Group and the Company at the end of each reporting period is as follows:

The Group

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	635,580	1,745,616	1,508,765	2,035,282
Current portion of long-term bank loans	220,000	233,705	135,213	243,915
Within 1 year or on demand	855,580	1,979,321	1,643,978	2,279,197
After 1 year but within 2 years	226,079	14,093	222,608	1,026,573
After 2 years but within 5 years	38,039	40,735	903,902	161,689
More than 5 years	33,359	23,191	12,661	12,966
	297,477	78,019	1,139,171	1,201,228
	1,153,057	2,057,340	2,783,149	3,480,425

The Company

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	175,580	173,524	174,522	176,495

At the end of each reporting period, the bank loans were secured as follows:

The Group

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Secured	382,395	373,371	1,523,149	1,521,883
– Unsecured	770,662	1,683,969	1,260,000	1,958,542
	1,153,057	2,057,340	2,783,149	3,480,425

The Company

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Unsecured	175,580	173,524	174,522	176,495

Notes:

(i) The Group's bank loans were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land *(Note 12)*	15,263	14,910	53,991	53,293
Plants and buildings *(Note 12)*	185,825	176,480	224,935	220,923
Financial assets at fair value through profit or loss *(Note 18)*	–	–	400,000	–
Pledged deposits *(Note 24(b))*	194,000	200,000	290,000	903,000
	395,088	391,390	968,926	1,177,216

(ii) Certain bank facilities granted to the Group were guaranteed by Mr. Ren Jinsheng, the ultimate controlling shareholder of the Group, and his spouse Ms. Wang Xi, and Nanjing BioSciKin Technology Development Co., Ltd. and pledged with the equity interest of Simcare Jiangsu Pharmaceutical Co., Ltd. held by Nanjing Huasheng Industrial Co., Ltd., at December 31, 2017, 2018 and 2019 and June 30, 2020. All of these companies are controlled by the ultimate controlling shareholder of the Group.

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees and pledges to banks for granting banking facilities	100,500	100,500	783,500	672,500

26 LOANS FROM RELATED PARTIES

The Group	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Loans from related parties	138,855	203,852	–	–

The Company	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Loans from related parties	1,860	38,604	203,904	139,976

At December 31, 2017 and 2018, the Group's loans from related parties were subject to an interest rate of 4.35% per annum, were unsecured and have no fixed repayment terms.

At December 31, 2017, 2018 and 2019 and June 30, 2020, the Company's loans from related parties were subject interest rates, ranging from nil to 4.35% per annum, unsecured and have no fixed repayment terms.

27 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	At December 31,						As at June 30	
	2017		2018		2019		2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	19,955	20,490	13,678	15,816	26,206	32,505	37,975	47,815
After 1 year but within 2 years	5,546	5,655	7,646	9,350	26,696	31,801	38,580	46,782
After 2 years but within 5 years	117	134	23,829	26,864	86,135	94,068	114,176	128,735
After 5 years	77	81	11,515	11,848	18,770	19,369	66,774	72,222
	5,740	5,870	42,990	48,062	131,601	145,238	219,530	247,739
	25,695	26,360	56,668	63,878	157,807	177,743	257,505	295,554
Less: total future interest expenses		(665)		(7,210)		(19,936)		(38,049)
Present value of lease liabilities		25,695		56,668		157,807		257,505

28 TRADE AND BILLS PAYABLES

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	93,815	79,818	93,165	66,172
Bills payable	121,285	227,739	161,686	154,287
	215,100	307,557	254,851	220,459

As of the end of the reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	136,096	173,228	172,961	89,650
3 to 12 months	77,334	132,350	79,838	128,910
Over 12 months	1,670	1,979	2,052	1,899
	215,100	307,557	254,851	220,459

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

29 OTHER PAYABLES AND ACCRUALS

The Group

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses *(Note i)*	567,810	686,037	782,754	787,878
Contract liabilities *(Note ii)*	21,392	18,340	16,675	14,759
Payable for employee reimbursements	83,334	111,008	83,558	92,753
Payables for staff related costs	68,257	87,147	191,223	154,647
Payables for purchase of property, plant and equipment	105,280	24,438	66,020	58,173
Cash received under share incentive scheme	54,270	68,119	112,029	112,029
Payables for government grants received on behalf of a fellow subsidiary	262,595	–	–	–
Dividends payable	–	350,944	–	–
Other tax payables	30,024	73,275	60,099	44,910
Others	69,666	87,659	105,587	60,214
	1,262,628	1,506,967	1,417,945	1,325,363

The Company

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends payable	–	350,944	–	–
Others	1,502	1,376	2,675	2,958
	1,502	352,320	2,675	2,958

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

Notes:

(i) Accrued expenses primarily comprise marketing and promotion expenses, research and development costs and other expenses.

(ii) Contract liabilities represent customers' advances received for goods that have not yet been transferred to the customers.

30 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	46,341	37,231	81,067	85,219
Provision for PRC Corporate Income Tax for the year/period	112,041	97,911	197,100	29,537
Effect of PRC withholding tax on dividends	–	100,000	71,300	–
Effect of PRC Corporate Income Tax on disposal of financial assets at fair value through other comprehensive income	–	–	–	2,057
Under/(over) provision in respect of prior years	2,323	608	609	(4,138)
Tax paid	(123,474)	(154,683)	(264,857)	(143,275)
At the end of the year/period	37,231	81,067	85,219	(30,600)
Represented by:				
Taxation recoverable	(2,442)	(18,958)	(306)	(30,737)
Taxation payable	39,673	100,025	85,525	137
	37,231	81,067	85,219	(30,600)

(b) Deferred tax assets and liabilities recognized represents:

(i) The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are as follows:

	Provision for asset impairment	Unrealized profits on inventories	Deductible tax losses	Depreciation of property, plant and equipment	Fair value change of financial assets	Government grants	Accrued expenses	Other temporary differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2017	3,967	54,203	20,748	4,718	2,841	11,892	62,505	3,607	164,481
Recognized in profit or loss	541	(9,010)	(448)	(432)	7,388	(2,676)	27,398	6,375	29,136
Recognized in other comprehensive income	–	–	–	–	6,186	–	–	–	6,186
At December 31, 2017 and January 1, 2018	4,508	45,193	20,300	4,286	16,415	9,216	89,903	9,982	199,803
Recognized in profit or loss	103	(7,599)	(4,861)	(833)	(1,478)	425	16,321	(5,007)	(2,929)
Recognized in other comprehensive income	–	–	–	–	1,453	–	–	–	1,453

	Provision for asset impairment *RMB'000*	Unrealized profits on inventories *RMB'000*	Deductible tax losses *RMB'000*	Depreciation of property, plant and equipment *RMB'000*	Fair value change of financial assets *RMB'000*	Government grants *RMB'000*	Accrued expenses *RMB'000*	Other temporary differences *RMB'000*	Total *RMB'000*
At December 31, 2018 and January 1, 2019	4,611	37,594	15,439	3,453	16,390	9,641	106,224	4,975	198,327
Recognized in profit or loss	(234)	72,829	(3,429)	(1,153)	9,165	59,733	(3,862)	(2,230)	130,819
Recognized in other comprehensive income	–	–	–	–	1,278	–	–	–	1,278
At December 31, 2019 and January 1, 2020	4,377	110,423	12,010	2,300	26,833	69,374	102,362	2,745	330,424
Recognized in profit or loss	3,831	(37,755)	65,739	(295)	(16,181)	34	(148)	(8,325)	6,900
Recognized in other comprehensive income	–	–	–	–	(6,715)	–	–	–	(6,715)
At June 30, 2020	8,208	72,668	77,749	2,005	3,937	69,408	102,214	(5,580)	330,609

(ii) The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are as follows:

	Fair value adjustment arising from business combination *RMB'000*	Depreciation of property, plant and equipment *RMB'000*	Fair value change of financial assets *RMB'000*	Undistributed profits *RMB'000*	Other temporary differences *RMB'000*	Total *RMB'000*
At January 1, 2017	18,984	2,362	679	152,678	1,868	176,571
Recognized in profit or loss	(6,127)	1,177	4,398	62,464	(268)	61,644
Recognized in other comprehensive income	–	–	(174)	–	–	(174)
Exchange adjustment	–	–	(146)	–	–	(146)
At December 31, 2017 and January 1, 2018	12,857	3,539	4,757	215,142	1,600	237,895
Recognized in profit or loss	(2,032)	19,762	9,294	66,866	19	93,909
Effect of PRC withholding tax on dividends	–	–	–	(100,000)	–	(100,000)
Exchange adjustment	–	–	462	–	–	462

	Fair value adjustment arising from business combination *RMB'000*	Depreciation of property, plant and equipment *RMB'000*	Fair value change of financial assets *RMB'000*	Undistributed profits *RMB'000*	Other temporary differences *RMB'000*	Total *RMB'000*
At December 31, 2018 and January 1, 2019	10,825	23,301	14,513	182,008	1,619	232,266
Recognized in profit or loss	(2,014)	36,608	15,525	(38,620)	(198)	11,301
Effect of PRC withholding tax on dividends	–	–	–	(71,300)	–	(71,300)
Exchange adjustment	–	–	63	–	–	63
At December 31, 2019 and January 1, 2020	8,811	59,909	30,101	72,088	1,421	172,330
Business combination *(Note 38)*	15,175	–	–	–	–	15,175
Recognized in profit or loss	(1,928)	12,217	6,927	4,183	–	21,399
Recognized in other comprehensive income	–	–	14,555	–	–	14,555
Exchange adjustment	–	–	1,032	–	–	1,032
At June 30, 2020	22,058	72,126	52,615	76,271	1,421	224,491

Under the arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution). The Group met the beneficial owner requirements in 2019 and was entitled to a preferential rate of 5% since 2019. As at December 31, 2017, 2018 and 2019 and June 30, 2020, the deferred tax liabilities arising from undistributed profits was recognized using the tax rate of 10%, 10%, 5% and 5%, respectively.

(iii) Reconciliation to the consolidated statements of financial position:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the consolidated statements of financial position	194,663	174,483	274,698	252,835
Net deferred tax liabilities recognized in the consolidated statements of financial position	(232,755)	(208,422)	(116,604)	(146,717)
	(38,092)	(33,939)	158,094	106,118

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(r), the Group did not recognize deferred tax assets of RMB19,388,000, RMB21,960,000, RMB25,978,000 and RMB52,423,000, respectively, in respect of cumulative tax losses RMB77,551,000, RMB88,430,000, RMB107,236,000 and RMB214,743,000 as at December 31, 2017, 2018 and 2019 and June 30, 2020 respectively. The Group did not recognize deferred tax assets of RMB32,351,000, RMB47,035,000, RMB49,849,000 and RMB47,674,000, respectively, in respect of cumulative time differences RMB153,981,000, RMB163,931,000, RMB177,557,000 and RMB171,324,000 as at December 31, 2017, 2018 and 2019 and June 30, 2020 respectively. It was not probable that future taxable profits against which the losses and time differences can be utilized will be available in the relevant tax jurisdiction and entities.

(d) Deferred tax liabilities not recognized

At December 31, 2017, 2018 and 2019 and June 30 2020, the Group did not recognize deferred tax liabilities of RMB nil, RMB nil and RMB35,394,000 and RMB45,153,000, respectively, in respect of distributable profits of the Group's PRC subsidiaries amounted to RMB nil, RMB nil and RMB707,874,000 and RMB903,069,000, respectively, as the Group controls the timing of the reversal of temporary differences associated with undistributed profits of these subsidiaries and it has been determined that it is probable that certain portion of the undistributed profits earned by the Group's PRC subsidiaries will not be distributed in the foreseeable future in accordance with the Group's dividend policy.

The directors of the Company consider the Group's PRC subsidiaries will not distribute more than 30% of the current year's consolidated net profit since 2019 and the undistributed profits will be used for future reinvestment in the PRC.

31 DEFERRED INCOME

As at December 31, 2017, 2018 and 2019 and June 30, 2020, deferred income represented unamortized conditional government grants amounting to RMB344,102,000, RMB331,370,000 and RMB470,525,000 and RMB463,216,000, for plant relocation and construction and encouragement of technology research and development.

Deferred income is recognized as income upon the satisfaction of acceptance standards, completion of the relocation or amortized over the useful life of the related property, plant and equipment upon the completion of the construction.

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Pre-IPO Share Incentive Scheme

On July 31, 2014, the board of directors of the Company's immediate parent company, SPHL, adopted the Restricted Share Incentive Scheme (the "Pre-IPO Share Incentive Scheme") and would grant up to 5,583,613 restricted shares of SPHL on March 31, 2015, April 30, 2016 and April 30, 2018 in tranches. The restricted shares were granted to the directors and employees of the Company and its subsidiaries (the "Participants") at a price of RMB20 or at nil price per each restricted share. Each restricted share gives the holder a right to receive one ordinary share of SPHL pursuant to the conditions provided for under the Pre-IPO Share Incentive Scheme at the end of the respective vesting period. If the performance conditions or service conditions are not fulfilled and the corresponding tranche of restricted shares granted cannot be vested, the unvested restricted shares will be repurchased and the grant price paid by the Participants will be repaid to the Participants.

On December 10, 2015, in connection with the Pre-IPO Share Incentive Scheme, Excel Management Company Limited ("Excel Management"), as the trustee, executed a declaration of trust, pursuant to which it was established to hold shares of SPHL, for the benefit of the Participants of the Pre-IPO Share Incentive Scheme. On July 8, 2016, SPHL allotted and issued 5,583,613 shares to Excel Management, through Artking Global Limited, a company controlled by the ultimate controlling shareholder of the Group. Such 5,583,613 shares of SPHL held by Excel Management was for the purpose of the Pre-IPO Share Incentive Scheme.

As part of the Reorganization, the details of which are described in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, on June 21, 2019, the Company allotted and issued 54,719,407 ordinary shares to Excel Management to enable that Excel Management's shareholding in the Company, whether directly or indirectly, will not be diluted as a result of allotment of ordinary shares to other equity shareholders of the Company.

During 2015 and 2016, 507,500 restricted shares, which were forfeited subsequent to the respective grant dates due to not achieving relevant service conditions, were repurchased at the grant price by SPHL through Excel Management.

On October 1, 2019, the board of directors of SPHL, approved a new grant of 1,023,000 restricted shares, of which 507,500 restricted shares were previously repurchased by SPHL through Excel Management and the remaining 515,500 restricted shares were held by Mr. Ren Jinsheng through Excel Management. The restricted shares were granted to the Participants at a price of RMB50 per each restricted share or at nil price. Each restricted share gives the holder a right to receive the underlying ordinary share held by Excel Management pursuant to the conditions provided for under the Pre-IPO Share Incentive Scheme at the end of the respective vesting period.

(a) The terms and conditions of the grants are as follows:

	Number of Restricted shares	Vesting period	Price per restricted share RMB
Restricted shares granted to directors and employees:			
– on March 31, 2015	1,605,613	March 31, 2015 – March 31, 2017	Nil
– on March 31, 2015	1,662,500	March 31, 2015 – March 31, 2017	20
– on March 31, 2015	30,000	March 31, 2015 – April 30, 2018	Nil
– on March 31, 2015	1,264,500	March 31, 2015 – April 30, 2018	20
– on March 31, 2015	61,500	March 31, 2015 – November 30, 2018	20
– on March 31, 2015	30,000	March 31, 2015 – April 30, 2020	Nil
– on March 31, 2015	707,500	March 31, 2015 – April 30, 2020	20
– on April 30, 2016	66,500	April 30, 2016 – April 30, 2018	20
– on April 30, 2018	155,500	April 30, 2018 – April 30, 2020	20
– on October 1, 2019	180,000	October 1, 2019 – December 31, 2021	Nil
– on October 1, 2019	843,000	October 1, 2019 – December 31, 2021	50

Vesting of the restricted shares is conditional upon the operating performance of the Group and the service conditions of the Participants. There were no market conditions associated with the restricted shares.

(b) A summary of restricted shares outstanding for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020:

	At December 31,						As at June 30,	
	2017		2018		2019		2020	
	Weighted average grant-date fair value	Number of restricted shares	Weighted average grant-date fair value	Number of restricted shares	Weighted average grant-date fair value	Number of restricted shares	Weighted average grant-date fair value	Number of restricted shares
	RMB	*'000*	*RMB*	*'000*	*RMB*	*'000*	*RMB*	*'000*
Balance at the beginning of the year/period	18.57	4,921	12.51	1,944	17.42	893	51.42	1,916
Grant during the year/period	–	–	40.16	156	81.10	1,023	–	–
Vested during the year/period	22.53	(2,977)	12.43	(1,207)	–	–	17.42	(893)
Forfeited during the year/period	–	–	–	–	–	–	101.77	(83)
Balance at the end of the year/period	12.51	1,944	17.42	893	51.42	1,916	79.27	940

As at December 31, 2017, 2018 and 2019 and June 30, 2020, the average remaining vesting period of the restricted shares granted under the Pre-IPO Share Incentive Scheme was 1.11 years, 1.33 years, 1.22 years and 1.50 years.

(c) Fair value of restricted shares granted

The grant-date fair values of each restricted shares granted are set out below:

Grant date	Grant price of each restricted share		
	RMB50	*RMB20*	*RMB nil*
March 31, 2015	Not applicable	RMB11.81	RMB31.81
April 30, 2016	Not applicable	RMB16.38	Not applicable
April 30, 2018	Not applicable	RMB40.16	Not applicable
October 1, 2019	RMB72.30	Not applicable	RMB122.30

The grant-date fair value of the restricted shares granted is measured at the difference between the fair value of the underlying ordinary shares and the grant price at the respective grant dates.

Share-based payment expense of RMB15,150,000, RMB5,695,000, RMB14,151,000 and RMB2,498,000, RMB17,725,000 are recognized as staff costs in the consolidated statements of profit or loss for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively.

As at December 31, 2017, 2018 and 2019 and June 30, 2020, RMB54,270,000, RMB68,119,000 and RMB112,029,000 and RMB112,029,000 were received from the Participants on behalf of SPHL and recorded under "Other payables and accruals" in the consolidated statements of financial position.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company	*Note*	Share capital *RMB'000*	Other reserve *RMB'000*	Reserves Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At January 1, 2017		–	–	(2)	(97)	(99)
Changes in equity for 2017:						
Loss and total comprehensive income for the year		–	–	102	(6,760)	(6,658)
Reorganization under common control	*33(c)*	34	2,085,626	–	–	2,085,660
Balance at December 31, 2017 and January 1, 2018		34	2,085,626	100	(6,857)	2,078,903
Changes in equity for 2018:						
Profit and total comprehensive income for the year		–	–	(4,389)	914,173	909,784
Appropriation of dividends	*33(b)*	–	–	–	(900,000)	(900,000)
Balance at December 31, 2018 and January 1, 2019		34	2,085,626	(4,289)	7,316	2,088,687
Changes in equity for 2019:						
Profit and total comprehensive income for the year		–	–	1,568	662,796	664,364
Ordinary shares issued	*33(c)*	176	–	–	–	176
Appropriation of dividends	*33(b)*	–	–	–	(635,070)	(635,070)
Balance at December 31, 2019 and January 1, 2020		210	2,085,626	(2,721)	35,042	2,118,157
Changes in equity for the six months ended June 30, 2020:						
Loss and total comprehensive income for the period		–	–	283	(14,471)	(14,188)
Balance at June 30, 2020		210	2,085,626	(2,438)	20,571	2,103,969

The Company	*Note*	Share capital *RMB'000*	Other reserve *RMB'000*	Reserves Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
(Unaudited)						
At January 1, 2019		34	2,085,626	(4,289)	7,316	2,088,687
Changes in equity for the six months ended June 30, 2019:						
Profit and total comprehensive income for the period		–	–	1,409	635,315	636,724
Ordinary shares issued	*33(c)*	176	–	–	–	176
Appropriation of dividends	*33(b)*	–	–	–	(635,070)	(635,070)
Balance at June 30, 2019		210	2,085,626	(2,880)	7,561	2,090,517

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 is as follow:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividends in respect of previous financial years declared and approved	–	900,000	635,070	635,070	–

On December 21, 2018, the directors of the Company approved a dividend of USD131,134,164.80 (RMB900,000,000 equivalent), of which RMB549,056,000 and RMB350,944,000 was paid in 2018 and 2019, respectively. On April 24, 2019, the directors of the Company approved a dividend of USD83,389,986.44 (RMB561,110,000 equivalent) and it was paid in 2019. On June 18, 2019, the directors of the Company approved a dividend of RMB73,960,786.10 and it was settled in 2019.

(c) Share capital

	Note	*Number of Shares*	*HKD*
Ordinary shares, issued and fully paid:			
At January 1, 2017		1	1
Reorganization under common control	*(i)*	39,999	39,999
At December 31, 2017 and 2018		40,000	40,000
Ordinary shares issued	*(ii)*	2,345,077,618	194,512
At December 31, 2019 and June 30, 2020		2,345,117,618	234,512

Notes:

(i) During the year ended December 31, 2017, the Company issued 19,999 and 20,000 ordinary shares to acquire the equity interest in Simcere Pharmaceutical and Hainan Simcere, respectively. The share capital of the Company increased from HKD1 to HKD40,000 (RMB34,000 equivalent).

(ii) Pursuant to a written resolution of the board of directors of the Company passed on June 21, 2019, the share capital of the Company increased from HKD40,000 (RMB34,000 equivalent) to HKD234,512 (RMB210,000 equivalent) by the creation of additional 2,345,077,618 ordinary shares at nominal value.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Other reserve

Other reserve primarily represented: (i) the paid-in capital of Simcere Pharmaceutical and Hainan Simcere prior to the transactions in June and August 2017 respectively, during the course of the Reorganization under common control; (ii) the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of subsidiaries and non-controlling interests prior to the Track Record Period and during the course of the Reorganization under common control; (iii) the accumulated share based compensation for the unexercised share options, which were cancelled upon the privatization of the former holding company of the Group's substantial operating business, Simcere Investments Group (formerly known as Simcere Pharmaceutical Group); and (iv) the portion of the grant date fair value of restricted shares granted by SPHL to the directors of the Company and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(q)(ii).

(ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(u).

(iv) Fair value reserves (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 2(f)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net gearing ratio. For this purpose, the Group defines net debt as total current and non-current bank loans, loans from related parties and lease liabilities less cash and cash equivalents and pledged deposits. The Group defines capital as including all components of equity.

The Group's adjusted net debt to capital ratio as at December 31, 2017, 2018 and 2019 and June 30, 2020 are as follows:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities:				
Bank loans	855,580	1,979,321	1,643,978	2,279,197
Loans from related parties	138,855	203,852	–	–
Lease liabilities	19,955	13,678	26,206	37,975
	1,014,390	2,196,851	1,670,184	2,317,172
Non-current liabilities:				
Bank loans	297,477	78,019	1,139,171	1,201,228
Lease liabilities	5,740	42,990	131,601	219,530
	303,217	121,009	1,270,772	1,420,758
Total borrowings	1,317,607	2,317,860	2,940,956	3,737,930
Less: Cash and cash equivalents	(572,584)	(1,187,647)	(354,804)	(595,916)
Pledged deposits	(194,068)	(240,569)	(290,962)	(904,477)
Adjusted net debt	550,955	889,644	2,295,190	2,237,537
Total equity	1,781,153	1,565,134	1,480,464	1,858,816
Adjusted net debt to capital ratio	31%	57%	155%	120%

34 CAPITAL COMMITMENTS

Capital commitments outstanding at the respective year end not provided for in the Historical Financial Information are as follows:

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	130,143	239,308	285,066	150,509
Represented by:				
Construction of plant and buildings	89,031	160,436	219,672	110,978
Acquisition of machinery and equipment	41,112	78,872	65,394	39,531
	130,143	239,308	285,066	150,509

35 CONTINGENT LIABILITIES

On September 11, 2020, the Group received an investigation notice from State Administration for Market Regulation of the PRC (the "SAMR") in respect of the alleged claim of abuse of a dominant market position in connection with an exclusive supply arrangement of raw materials with an overseas third party supplier. As of the date of this report, the SAMR is in the process of obtaining and reviewing the documents and has not yet reached any decisions. The Group is of the opinion that the likelihood that the SAMR imposes any penalty on the Group is low. Therefore, no provision has been made in respect of this pending investigation.

Further details related to this matter are set out in the section headed "Business" included in the Prospectus.

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Short-term employee benefits	4,583	5,872	18,637	5,299	14,795
Contributions to defined contribution retirement plans	156	213	257	121	91
Equity settled share-based payment expenses	6,913	355	4,214	116	8,146
	11,652	6,440	23,108	5,536	23,032

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Names and relationships of the related parties that had other material transactions with the Group during the Track Record Period:

Name of related party	Relationship
Mr. Ren Jinsheng	Ultimate controlling shareholder of the Group
Ms. Wang Xi	The spouse of the ultimate controlling shareholder of the Group
Simcere Pharmaceutical Holding Limited	Immediate parent of the Group
Xuancheng Menovo Pharmaceutical Co., Ltd.	Associate of the Group
BCY Pharm Co., Ltd.	Associate of the Group
Jiangsu Simcare Pharmaceutical Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Simcare Jiangsu Pharmaceutical Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Beijing Sanroad Biological Products Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing Fuantang Pharmaceutical Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Jiangsu Yoai Technology Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Beijing Xiangxiang Wuxian Technology Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group

Name of related party	Relationship
BioSciKin Precision Medical Holding Group Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing Medway Culture Media Co. Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing BioSciKin Asset Management Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Jiangsu Simcere Medical Diagnostics Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Nanjing BioSciKin Pharmaceutical Industrial Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Hainan Simcere BioSciKin Technology Development Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Shanghai BioSciKin Investment Management Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing BioSciKin Technology Development Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Jiangsu Pharmaceutical Industrial Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
State Good Group Limited	Controlled by the ultimate controlling shareholder of the Group
Simcere Investments Group	Controlled by the ultimate controlling shareholder of the Group
Simcere Industrial Co., Limited	Controlled by the ultimate controlling shareholder of the Group
Nanjing Huasheng Industrial Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Shanghai Youxu Medical Equipment Co., Ltd.	Controlled by a close family member of the ultimate controlling shareholder of the Group

(c) Guarantees issued by related parties

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees and pledges to banks for granting banking facilities	100,500	100,500	783,500	672,500

At December 31, 2017, 2018 and 2019 and June 30, 2020, certain bank facilities granted to the Group in Note 25 were guaranteed by Mr. Ren Jinsheng, the ultimate controlling shareholder of the Group, and his spouse, Ms. Wang Xi, and Nanjing BioSciKin Technology Development Co., Ltd., and pledged with the equity interest of Simcare Jiangsu Pharmaceutical Co., Ltd. held by Nanjing Huasheng Industrial Co., Ltd.. All of these companies are controlled by the ultimate controlling shareholder of the Group.

(d) Other significant related party transactions

During the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the Group had following transactions with related parties:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchase of goods					
Jiangsu Simcare Pharmaceutical Co., Ltd.	1,449	6,892	7,292	4,031	8,070
Simcare Jiangsu Pharmaceutical Co., Ltd.	104	119	665	179	35
Beijing Sanroad Biological Products Co., Ltd.	2,460	770	–	–	–
Nanjing Fuantang Pharmaceutical Co., Ltd.	92	62	–	–	–
Jiangsu Yoai Technology Co., Ltd.	–	352	367	367	–
Beijing Xiangxiang Wuxian Technology Co., Ltd.	98	–	9	5	–
Xuancheng Menovo Pharmaceutical Co., Ltd.	–	–	753	–	570
	4,203	8,195	9,086	4,582	8,675
Purchase of services					
BioSciKin Precision Medical Holding Group Co., Ltd.	59	100	9	9	–
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd	–	–	–	–	64
Nanjing Medway Culture Media Co. Ltd.	100	–	1,075	–	75
Nanjing BioSciKin Asset Management Co., Ltd.	1	1	1	–	–
Jiangsu Simcere Medical Diagnostics Co., Ltd.	–	–	480	–	60
	160	101	1,565	9	199
Sales of goods					
Jiangsu Simcare Pharmaceutical Co., Ltd.	13,847	8,311	9,099	5,199	7,989
Simcare Jiangsu Pharmaceutical Co., Ltd.	–	–	1,549	1,291	1,154
	13,847	8,311	10,648	6,490	9,143

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rendering of services					
BioSciKin Precision Medical Holding Group Co., Ltd.	–	5	87	39	47
Beijing Sanroad Biological Products Co., Ltd.	–	26,425	42,618	20,276	19,374
Jiangsu Simcere Medical Diagnostics Co., Ltd.	–	15,835	488	184	203
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd.	–	–	–	–	105
	–	42,265	43,193	20,449	19,729
Disposal of equity interest in other investment					
Mr. Ren Jinsheng	500	–	–	–	–
Acquisition of equity interest in subsidiaries under common control, an associate, a joint venture and other investments					
Nanjing BioSciKin Pharmaceutical Industrial Co., Ltd.	–	50,000	–	–	–
Simcere Pharmaceutical Holding Limited	93,000	–	–	–	–
BioSciKin Precision Medical Holding Group Co., Ltd.	3,176	–	649,412	649,412	–
	96,176	50,000	649,412	649,412	–

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Receiving rental, property management and other related services					
Nanjing BioSciKin Technology Development Co., Ltd.	3,923	3,923	2,942	1,961	–
BioSciKin Precision Medical Holding Group Co., Ltd.	15,005	30,068	52,096	17,143	23,525
Nanjing BioSciKin Asset Management Co., Ltd.	1,588	3,166	3,221	1,415	1,343
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd.	–	–	750	–	704
	20,516	37,157	59,009	20,519	25,572
Provision of rental, property management and other related services					
Shanghai Youxu Medical Equipment Co., Ltd.	–	–	–	–	8
Sales of property, plant and equipment					
BioSciKin Precision Medical Holding Group Co., Ltd.	274	–	–	–	–
Purchase of property, plant and equipment					
Simcare Jiangsu Pharmaceutical Co., Ltd.	239	–	–	–	–
BioSciKin Precision Medical Holding Group Co., Ltd.	5,113	–	21	21	–
Nanjing BioSciKin Asset Management Co., Ltd.	–	52	–	–	–
Jiangsu BioSciKin Transformation Medical Technology Co., Ltd.	827	–	–	–	–
	6,179	52	21	21	–

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Payments made on behalf of the Group					
BioSciKin Precision Medical Holding Group Co., Ltd.	–	–	2,117	1,236	–
Jiangsu Pharmaceutical Industrial Co., Ltd.	1,013	452	16	–	–
	1,013	452	2,133	1,236	–
Payments made on behalf of related parties					
Simcare Jiangsu Pharmaceutical Co., Ltd.	408	460	357	–	–
Jiangsu Simcere Medical Diagnostics Co., Ltd.	494	886	1,160	714	–
Simcere Pharmaceutical Holding Limited	4,390	3,251	390	–	–
	5,292	4,597	1,907	714	–
Government grants received on behalf of a related party					
Nanjing BioSciKin Technology Development Co., Ltd.	262,595	–	175,063	–	–
Advance to an associate					
BCY Pharm Co., Ltd.	–	–	4,000	–	–
Cash received under share incentive scheme					
Simcere Pharmaceutical Holding Limited	–	17,100	44,300	–	–
New loans from related parties					
Simcere Pharmaceutical Holding Limited	32,696	241,323	11,791	–	35,506
State Good Group Limited	1,361	55,572	5	–	–
	34,057	296,895	11,796	–	35,506

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on loans from related parties					
Simcere Pharmaceutical Holding Limited	124	1,400	1,901	384	298
State Good Group Limited	395	1,852	2,160	1,429	–
Nanjing BioSciKin Technology Development Co., Ltd.	3,493	3,493	2,545	1,732	–
	4,012	6,745	6,606	3,545	298
New loans to related parties					
Jiangsu Simcere Medical Diagnostics Co., Ltd.	–	20,000	–	–	–
BioSciKin Precision Medical Holding Group Co., Ltd.	263,748	920,722	227,615	88,560	–
Simcere Pharmaceutical Holding Limited	–	–	189,013	156,409	–
Simcere Industrial Co., Limited	–	8	6	–	–
	263,748	940,730	416,634	244,969	–
Interest income on loans to related parties					
Jiangsu Simcere Medical Diagnostics Co., Ltd.	–	505	–	–	–
BCY Pharm Co., Ltd.	–	–	–	–	130
Simcere Pharmaceutical Holding Limited	–	–	3,816	675	–
BioSciKin Precision Medical Holding Group Co., Ltd.	9,185	18,844	9,639	8,920	–
Shanghai BioSciKin Investment Management Co., Ltd.	10,875	10,875	7,896	5,393	–
	20,060	30,224	21,351	14,988	130

(e) Significant related party balances

At December 31, 2017, 2018 and 2019 and June 30, 2020, the Group had following trade in nature balances with related parties:

Trade in nature:	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note 21)*				
Jiangsu Simcare Pharmaceutical Co., Ltd.	1,755	2,394	620	2,120
Simcare Jiangsu Pharmaceutical Co., Ltd.	–	–	66	515
Beijing Sanroad Biological Products Co., Ltd.	–	5,003	8,736	10,209
Jiangsu Simcere Medical Diagnostics Co., Ltd.	–	4,000	439	–
Shanghai Youxu Medical Equipment Co., Ltd.	–	–	–	9
	1,755	11,397	9,861	12,853
Prepayments, deposits and other receivables *(Note 22)*				
Nanjing Fuantang Pharmaceutical Co., Ltd.	29	–	–	–
Jiangsu Yoai Technology Co., Ltd.	–	–	26	93
Simcare Jiangsu Pharmaceutical Co., Ltd.	1,909	2,370	–	–
Jiangsu Simcere Medical Diagnostics Co., Ltd.	494	111	–	112
Beijing Sanroad Biological Products Co., Ltd.	5,000	5,174	5,000	5,000
BioSciKin Precision Medical Holding Group Co., Ltd.	2,893	–	–	–
Xuancheng Menovo Pharmaceutical Co., Ltd.	–	–	–	356
Nanjing Medway Culture Media Co. Ltd.	–	–	–	66
Jiangsu Simcare Pharmaceutical Co., Ltd.	100	1,418	–	100
	10,425	9,073	5,026	5,727

Trade in nature:	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables ***(Note 28)***				
Simcare Jiangsu Pharmaceutical Co., Ltd.	847	970	–	–
Jiangsu Simcare Pharmaceutical Co., Ltd.	–	–	1,637	1,549
Beijing Sanroad Biological Products Co., Ltd.	55	–	–	–
BioSciKin Precision Medical Holding Group Co., Ltd.	3,549	–	–	–
Jiangsu Yoai Technology Co., Ltd.	–	352	–	–
	4,451	1,322	1,637	1,549
Other payables and accruals ***(Note 29)***				
Nanjing BioSciKin Technology Development Co., Ltd.	–	1,030	–	–
Nanjing BioSciKin Innovative Pharmaceutical Retail Co., Ltd.	–	–	150	–
Jiangsu Simcere Medical Diagnostics Co., Ltd.	–	–	480	–
Simcare Jiangsu Pharmaceutical Co., Ltd.	–	–	1	–
Nanjing Medway Culture Media Co. Ltd.	–	–	213	–
Jiangsu Simcare Pharmaceutical Co., Ltd.	–	–	74	–
Nanjing BioSciKin Asset Management Co., Ltd.	–	445	135	3
BioSciKin Precision Medical Holding Group Co., Ltd.	–	3,889	10,424	1,682
State Good Group Limited	17	17	–	–
Nanjing BioSciKin Pharmaceutical Industrial Co., Ltd.	600	–	–	–
	617	5,381	11,477	1,685

At December 31, 2017, 2018 and 2019 and June 30, 2020, the Group had following non-trade in nature balances with related parties:

Non-trade in nature:	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest in associates *(Note 15)*				
BCY Pharm Co., Ltd.	–	–	4,000	–
Loans to related parties and third parties *(Note 23)*				
BioSciKin Precision Medical Holding Group Co., Ltd.	236,065	397,525	–	–
Simcare Jiangsu Pharmaceutical Co., Ltd.	58	58	–	–
Shanghai BioSciKin Investment Management Co., Ltd.	268,324	279,199	–	–
Simcere Industrial Co., Limited	–	8	–	–
	504,447	676,790	–	–
Loans from related parties *(Note 26)*				
Nanjing BioSciKin Technology Development Co., Ltd.	99,806	103,299	–	–
Simcere Pharmaceutical Holding Limited	27,904	31,984	–	–
State Good Group Limited	11,145	68,569	–	–
	138,855	203,852	–	–
Other payables and accruals *(Note 29)*				
Nanjing BioSciKin Technology Development Co., Ltd.	262,595	–	–	–
Simcere Pharmaceutical Holding Limited	54,270	419,063	112,029	112,029
Hainan Simcere BioSciKin Technology Development Co., Ltd.	15,822	15,822	–	–
	332,687	434,885	112,029	112,029

The directors of the Company confirm that the non-trade balance will be settled before the listing of the Company's shares on the Stock Exchange.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted deposits and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2017, 2018 and 2019 and June 30, 2020, 6%, 9%, 5% and 2%, respectively, of trade receivables were due from the Group's largest customer and 16%, 18%, 14% and 12%, respectively, of trade receivables were due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of each reporting period:

	At December 31, 2017		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.5%	174,151	927
Less than 3 months past due	1.3%	95,548	1,212
More than 3 months but less than 12 months past due	12.3%	5,799	713
More than 12 months past due	73.4%	10,734	7,882
		286,232	10,734

	At December 31, 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.4%	362,129	1,309
Less than 3 months past due	1.0%	171,370	1,715
More than 3 months but less than 12 months past due	14.5%	8,562	1,243
More than 12 months past due	64.4%	11,998	7,731
		554,059	11,998

	At December 31, 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.2%	522,956	1,183
Less than 3 months past due	0.4%	412,020	1,790
More than 3 months but less than 12 months past due	5.6%	37,355	2,074
More than 12 months past due	60.5%	12,786	7,739
		985,117	12,786

	At June 30, 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.2%	658,966	1,279
Less than 3 months past due	0.4%	224,795	899
More than 3 months but less than 12 months past due	3.2%	391,553	12,685
More than 12 months past due	58.6%	9,444	5,533
		1,284,758	20,396

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance in respect of trade receivables during the Relevant Periods is as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	6,077	10,734	11,998	12,786
Impairment loss recognized	4,657	1,264	788	7,610
At the end of the year/period	10,734	11,998	12,786	20,396

The following significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB353,000 and RMB382,000, a decrease of RMB126,000 and an increase of RMB96,000, respectively; and

– change in past due trade receivables resulted in an increase in loss allowance of RMB4,304,000, RMB882,000 and RMB914,000 and RMB7,514,000, respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	At December 31, 2017					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	875,803	226,678	44,379	45,453	1,192,313	1,153,057
Lease liabilities	20,490	5,655	134	81	26,360	25,695
Loans from related parties	138,855	–	–	–	138,855	138,855
Trade and bills payables	215,100	–	–	–	215,100	215,100
Other payables and accruals	1,262,628	1,000	1,000	–	1,264,628	1,264,628
	2,512,876	233,333	45,513	45,534	2,837,256	2,797,335

	At December 31, 2018					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at December 31, 2018** *RMB'000*
Bank loans	2,013,150	14,963	43,870	30,999	2,102,982	2,057,340
Lease liabilities	15,816	9,350	26,864	11,848	63,878	56,668
Loans from related parties	203,852	–	–	–	203,852	203,852
Trade and bills payables	307,557	–	–	–	307,557	307,557
Other payables and accruals	1,506,967	1,000	–	–	1,507,967	1,507,967
	4,047,342	25,313	70,734	42,847	4,186,236	4,133,384

	At December 31, 2019					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at December 31, 2019** *RMB'000*
Bank loans	1,719,142	246,708	920,729	16,715	2,903,294	2,783,149
Lease liabilities	32,505	31,801	94,068	19,369	177,743	157,807
Trade and bills payables	254,851	–	–	–	254,851	254,851
Other payables and accruals	1,417,945	–	–	–	1,417,945	1,417,945
	3,424,443	278,509	1,014,797	36,084	4,753,833	4,613,752

	At June 30, 2020					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount at June 30, 2020** *RMB'000*
Bank loans	2,365,600	1,048,999	168,970	16,715	3,600,284	3,480,425
Lease liabilities	47,815	46,782	128,735	72,222	295,554	257,505
Trade and bills payables	220,459	–	–	–	220,459	220,459
Other payables and accruals	1,325,363	–	–	–	1,325,363	1,325,363
	3,959,237	1,095,781	297,705	88,937	5,441,660	5,283,752

(c) Interest rate risk

The Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings as at the end of each reporting period:

	At December 31,						As at June 30,	
	2017		2018		2019		2020	
	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:								
Bank loans	0.85%-4.9%	1,153,057	1.2%-5.22%	1,883,816	0.37%-4.90%	2,783,149	0.37%-4.90%	3,302,661
Lease liabilities	4.54%	25,695	4.54%	56,668	4.54%	157,807	3.97%-4.54%	257,505
Loans from related parties	4.35%	138,855	4.35%	203,852		–		–
		1,317,607		2,144,336		2,940,956		3,560,166
Variable rate borrowings:								
Bank loans		–	LIBOR+1.3%	173,524		–	LIBOR+1.1%	177,764
Total borrowings		1,317,607		2,317,860		2,940,956		3,737,930
Fixed rate borrowings as a percentage of total borrowings		100%		92.51%		100%		95.24%

(ii) Sensitivity analysis

The Group's interest-bearing financial instruments at variable rates as at December 31, 2018 and June 30, 2020 are mainly bank loans, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates at the end of each reporting period are loans and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and borrowings which give rise to cash balances and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, EUR and GBP.

(i) Exposure to currency risk

The following table details the Group's exposure as at December 31, 2017, 2018 and 2019 and June 30, 2020 to currency risk arising from the recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of exposure are shown in RMB translated using the spot rate of the end of each reporting period. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD				
Cash and cash equivalents	1	14,417	66	66
Net exposure	1	14,417	66	66

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EUR				
Cash and cash equivalents	3,692	1,144	967	38
Bank loans	(210,662)	(211,877)	(647,583)	(855,608)
Net exposure	(206,970)	(210,733)	(646,616)	(855,570)

	At December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
GBP				
Cash and cash equivalents	9	26	25	135
Bank loans	(175,584)	(173,524)	–	–
Net exposure	(175,575)	(173,498)	25	135

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	2017		2018		2019		Six months ended June 30, 2020	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
USD	5%	–	5%	541	5%	2	5%	2
	(5%)	–	(5%)	(541)	(5%)	(2)	(5%)	(2)
EUR	5%	(8,796)	5%	(8,956)	5%	(26,920)	5%	(34,778)
	(5%)	8,796	(5%)	8,956	(5%)	26,920	(5%)	34,778
GBP	5%	(7,330)	5%	(7,244)	5%	1	5%	5
	(5%)	7,330	(5%)	7,244	(5%)	(1)	(5%)	(5)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at December 31, 2017, 2018 and 2019 and June 30, 2020. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not RMB. The analysis is performed on the same basis for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

(e) Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of derivative financial instruments as at December 31, 2017, 2018 and 2019 and June 30, 2020 are as follows:

	Fair value at December 31, 2017	Fair value measurement at December 31, 2017 categorized into		
		Level 1	Level 2	Level 3
	RMB'000			
Recurring fair value measurement				
Financial assets at FVOCI				
– Listed equity securities	44,738	44,738	–	–
– Unlisted equity securities	6,793	–	–	6,793
Financial assets at FVPL				
– Unlisted investments	36,219	–	–	36,219
– Unlisted units in investment funds	733,488	–	–	733,488
– Structured deposits and wealth management products	506,283	–	–	506,283
Trading securities				
– Listed equity securities	2,858	2,858	–	–

	Fair value at December 31, 2018	Fair value measurement at December 31, 2018 categorized into		
		Level 1	Level 2	Level 3
	RMB'000			
Recurring fair value measurement				
Financial assets at FVOCI				
– Listed equity securities	31,242	31,242	–	–
– Unlisted equity securities	–	–	–	–
Financial assets at FVPL				
– Unlisted investments	50,249	–	–	50,249
– Unlisted units in investment funds	809,415	–	–	809,415
– Structured deposits and wealth management products	261,062	–	–	261,062
Trading securities				
– Listed equity securities	2,286	2,286	–	–

	Fair value at December 31, 2019	Fair value measurement at December 31, 2019 categorized into		
		Level 1	Level 2	Level 3
	RMB'000			
Recurring fair value measurement				
Financial assets at FVOCI				
– Listed equity securities	43,179	43,179	–	–
– Unlisted equity securities	114,010	–	–	114,010
Financial assets at FVPL				
– Unlisted investments	64,115	–	–	64,115
– Unlisted units in investment funds	837,726	–	–	837,726
– Structured deposits and wealth management products	543,938	–	–	543,938
Trading securities				
– Listed equity securities	3,058	3,058	–	–

	Fair value at June 30, 2020	Fair value measurement at June 30, 2020 categorized into		
		Level 1	Level 2	Level 3
	RMB'000			
Recurring fair value measurement				
Financial assets at FVOCI				
– Listed equity securities	205,732	205,732	–	–
– Unlisted equity securities	30,000	–	–	30,000
Financial assets at FVPL				
– Unlisted investments	85,741	–	–	85,741
– Unlisted units in investment funds	811,833	–	–	811,833
Trading securities				
– Listed equity securities	2,956	2,956	–	–

During the years ended December 31, 2017 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. During the year ended December 31, 2018 and the six months ended June 30, 2020, there were transfers of amount of RMB1,563,000 and RMB204,133,000, respectively, from Level 3 to Level 1 due to the listing of the equity security. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted equity securities	Backsolve from recent transaction price *(Note i)*	IPO probability
Unlisted investments	Backsolve from recent transaction price *(Note i)*	IPO probability
	Valuation multiples *(Note ii)*	Changing trend of medium market multiples of comparable companies
Unlisted units in investment funds	Net asset value *(Note iii)*	Net asset value of underlying investments
Structured deposits and wealth management products	Discounted cash flow *(Note iv)*	Expected return rate

Notes:

(i) The fair value of unlisted equity securities and certain unlisted investments is determined using backsolve method with recent transaction price adjusted for IPO probability. The fair value measurement is positively correlated to the IPO probability. As at December 31, 2017, 2018 and 2019 and June 30, 2020, it is estimated that with all other variables held constant, an increase/decrease in IPO probability by 5% would have increased/decreased the Group's profit for the year/period by RMB278,000, RMB335,000, RMB851,000 and RMB2,187,000, respectively and increased/decreased the Group's other comprehensive income by RMB255,000, RMB nil, RMB4,845,000 and RMB1,275,000, respectively.

(ii) The fair value of certain unlisted investments is determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at December 31, 2017, 2018 and 2019 and June 30, 2020, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's profit for the year/period by RMB1,262,000, RMB1,800,000, RMB1,874,000 and RMB1,457,000, respectively.

(iii) The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at December 31, 2017, 2018 and 2019 and June 30, 2020, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the year/period by RMB31,173,000, RMB34,400,000, RMB35,603,000 and RMB34,503,000, respectively.

(iv) The fair value of structured deposits and wealth management products is calculated by discounting the expected future cash flows. The fair value measurement is negatively correlated to expected return rate. As at December 31, 2017, 2018 and 2019 and June 30, 2020, it is estimated that with all other variables held constant, a decrease/increase in fair value of structured deposits and wealth management products by 5% would have increased/decreased the Group's profit for the year/period by RMB21,517,000, RMB11,095,000, RMB23,117,000 and RMB nil, respectively.

The fair values of unlisted equity securities, unlisted investments and unlisted units in investment funds are determined using the recent comparable transaction price, if available, valuation multiples technique with comparable companies or net asset value of underlying investments. The fair values of the structured deposits and wealth management products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Financial assets at FVOCI *RMB'000*	Financial assets at FVPL *RMB'000*	Total *RMB'000*
As at January 1, 2017	13,874	862,699	876,573
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	(166,495)	(166,495)
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	(7,081)	–	(7,081)
Purchases	–	1,407,764	1,407,764
Sales and settlements	–	(804,613)	(804,613)
Exchange difference	–	(23,365)	(23,365)
As at December 31, 2017 and January 1, 2018	6,793	1,275,990	1,282,783
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	81,669	81,669
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	(5,230)	–	(5,230)
Purchases	–	896,712	896,712
Sales and settlements	–	(1,154,026)	(1,154,026)
Exchange difference	–	20,381	20,381
Transfer into Level 1	(1,563)	–	(1,563)
As at December 31, 2018 and January 1, 2019	–	1,120,726	1,120,726
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	18,837	18,837
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	(23,091)	–	(23,091)
Purchases	137,101	1,272,954	1,410,055
Sales and settlements	–	(972,980)	(972,980)
Exchange difference	–	6,242	6,242
As at December 31, 2019 and January 1, 2020	114,010	1,445,779	1,559,789
Net realized and unrealized losses on financial assets at fair value through profit or loss	–	(2,431)	(2,431)
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	120,123	–	120,123
Purchases	–	85,527	85,527
Sales and settlements	–	(637,898)	(637,898)
Exchange difference	–	6,597	6,597
Transfer into Level 1	(204,133)	–	(204,133)
As at June 30, 2020	30,000	897,574	927,574

All financial instruments carried at cost or amortized cost are at amounts not materially different from their values as at December 31, 2017, 2018 and 2019 and June 30, 2020.

38 BUSINESS COMBINATION

On April 30, 2020, Nanjing BioSciKin Biotechnology Development Co., Ltd., the Group's wholly owned subsidiary incorporated in the PRC, entered into an agreement with BCY Pharm Co., Ltd. and its shareholders, and acquired additional 19.14% equity interest of BCY Pharm Co., Ltd., through additional capital injection of RMB40,000,000. Upon the completion of the transaction on May 13, 2020, the Group held 52.14% equity interest in BCY Pharm Co., Ltd. and BCY Pharm Co., Ltd. became a subsidiary of the Group.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Fair value on acquisition *RMB'000*
Property, plant and equipment	174
Intangible assets	60,700
Prepayments and deposits	150
Prepayments, deposits and other receivables	14,377
Cash and cash equivalents	23,879
Trade and bills payables	(457)
Other payables and accruals	(1,780)
Deferred tax liabilities	(15,175)
Identified net assets	81,868
Less:	
Non-controlling interest, based on proportionate interest in the recognized assets of identified net assets	(39,182)
Group's share of net assets of BCY Pharm Co., Ltd.	42,686

Goodwill arising from the acquisition has been recognized as below:

	RMB'000
Cash consideration through capital injection	40,000
Non-controlling interest, based on proportionate interest in the recognized assets of identified net assets	39,182
Fair value of pre-existing 33% of equity interest in BCY Pharm Co., Ltd.	33,000
Fair value of identifiable net assets	(81,868)
Group's share of net assets of BCY Pharm Co., Ltd.	30,314

Satisfied by:

	RMB'000
Cash consideration through capital injection	40,000
Carrying amount of interest in BCY Pharm Co., Ltd. prior to business combination	31,238
Gain arising from business combination	1,762
Group's share of net assets of BCY Pharm Co., Ltd.	33,000
Total consideration	73,000

Analysis of the net cash inflow in respect of business combination:

	RMB'000
Cash and cash equivalents acquired	23,879
Less: cash consideration paid through capital injection during the six months ended June 30, 2020	(22,120)
Net cash inflow on acquisition	1,759

The fair value of net identifiable assets of BCY Pharm Co., Ltd. is determined by the directors of the Company with reference to the valuation performed by independent valuation firm on the acquisition date.

From the date of acquisition to June 30, 2020, BCY Pharm Co., Ltd. contributed revenue of RMB nil and net loss of RMB1,427,000.

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2017, 2018 and 2019 and June 30, 2020, the directors of the Company consider the immediate parent of the Group is Simcere Pharmaceutical Holding Limited, a company incorporated in Cayman Islands. The ultimate controlling party of the Group is Mr. Ren Jinsheng, Chairman of the Group. Simcere Pharmaceutical Holding Limited does not produce financial statements available for public use.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING ON JANUARY 1, 2020

Up to date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance Contracts*, which are not yet effective for the period beginning on January 1, 2020 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	January 1, 2022
Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*	June 1, 2020
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

41 SUBSEQUENT EVENTS

(a) The novel coronavirus ("COVID-19") outbreak since early 2020 has affected business and economic activities to some extent. Up to the date of issuance of Historical Financial Information, the COVID-19 outbreak has caused the postponements or cancellation of the Group's certain marketing and promotion activities, as well as the research and development activities. The COVID-19 outbreak has brought additional uncertainties in the Group's operating environment in 2020 and the Group will continuously assess and monitor its impact on the Group's financial performance.

(b) On July 30, 2020, Simcere Pharmaceutical, the Group's wholly owned subsidiary incorporated in the PRC, entered into a share transfer agreement with a third party partnership established in the PRC, and disposed 49% equity interest of the Group's associate incorporated in the PRC, Xuancheng Menovo, at a cash consideration of RMB118,418,000.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2020.

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the accountants' report set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of our Company as of June 30, 2020 and is based on the audited consolidated net assets derived from the audited financial information of our Group as of June 30, 2020 as included in the Accountants' Report as set out in Appendix I to the Prospectus.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2020 or at any future date.

	Audited consolidated net tangible assets attributable to the equity shareholders of our Company as of June 30, 2020[1]	**Estimated net proceeds from the Global Offering[2]** *(in millions of RMB)*	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company[3]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per Share** *RMB*[4]	*HK$*[5]
Based on an Offer Price of HK$12.1 per Share	1,561.2	2,654.3	4,215.5	1.62	1.83
Based on an Offer Price of HK$13.7 per Share	1,561.2	3,023.3	4,584.5	1.76	1.99

Notes:

(1) The audited consolidated net tangible assets of our Company attributable to equity shareholders of our Company as of June 30, 2020 have been calculated based on the audited consolidated total equity attributable to equity shareholders of our Company as of June 30, 2020 of RMB1,820.3 million less intangible assets and goodwill as of June 30, 2020 of RMB86.3 million and RMB172.8 million, respectively, as set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK$12.1 (being the minimum Offer Price) and HK$13.7 (being the maximum Offer Price) per Share, respectively, after deduction of the estimated underwriting fees and other related expenses payable by our Company of RMB104.4 million and RMB32.3 million, respectively, payable by our Company (excluding listing expenses which have been expensed prior to June 30, 2020) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The pro forma adjusted consolidated net tangible assets and the pro forma consolidated net tangible asset per Share would be increased if we decide not to pay such incentive fee.

(3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company to reflect our trading results or other transactions entered into subsequent to June 30, 2020.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share is calculated based on 2,605,686,618 shares in issue immediately assuming the Global Offering have been completed on June 30, 2020 but taking no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(5) The estimated net proceeds from the Global Offering are converted into Renminbi at the rate of HK$1.00 to RMB0.8852. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2020. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial results of the Group for the year ending December 31, 2020 or any future period.

For the year ending December 31, 2020

Forecast consolidated profit attributable to equity shareholders of the Company[(1)]	Not less than RMB480 million (equivalent to HK$542 million)[(3)]
Unaudited pro forma forecast earnings per Share[(2)]	Not less than RMB0.18 (equivalent to HK$0.21)[(3)]

Notes:

(1) The forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020 is extracted from the section headed "Financial Information – Profit Forecast for the Year Ending December 31, 2020" in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.

(2) The calculation of the unaudited pro forma forecast earnings per Share for the year ending December 31, 2020 is based on the forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020, assuming the Global Offering had been completed on January 1, 2020 and a total of 2,605,686,618 Shares were in issue during the entire year, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The forecast consolidated profit attributable to the equity shareholders of the Company and unaudited pro forma forecast earnings per Share in RMB are converted to Hong Kong dollars at the rate of HK$1.00 to RMB0.8852. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SIMCERE PHARMACEUTICAL GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Simcere Pharmaceutical Group 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 as at June 30, 2020 and the unaudited pro forma forecast earnings per share for the year ending December 31, 2020 and related notes as set out in Part A and Part B of Appendix II to the prospectus dated October 13, 2020 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A and Part B of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2020 and the forecast earnings per share of the Company for the year ending December 31, 2020 as if the Global Offering had taken place at June 30, 2020 and January 1, 2020, respectively. As part of this process, information about the Group's financial position as at June 30, 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus. Information about the Group's forecast of the consolidated profit attributable to the equity shareholders of the Company for the year ending December 31, 2020 (the "Profit Forecast") has been extracted by the Directors from the section headed "Financial Information" in the Prospectus on which a letter from us has been published as set out in Appendix III to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 ("HKSAE") 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical or forecast financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 events or transactions as at June 30, 2020 or January 1, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

The forecast of the consolidated profit attributable to equity shareholders of our Company for the year ending December 31, 2020 is set out in the section headed "Financial Information – Profit Forecast for the Year Ending December 31, 2020" in this prospectus.

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to equity shareholders of our Company for the year ending December 31, 2020 based on the audited consolidated results of our Group for the six months ended June 30, 2020, the unaudited consolidated results based on management accounts of our Group for the two months ended August 31, 2020, and a forecast of the consolidated results of our Group for the remaining four months ending December 31, 2020 and in the absence of unforeseen circumstances. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarized in Appendix I to this prospectus and has been prepared on the following principal bases and assumptions:

1. There will be no material changes in existing government policies or political and legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which our Group operates.

2. There will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the respective countries in which our Group operates.

3. Our Group's operation and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters of catastrophe or serious accidents. Our Directors assume no extraordinary event will occur during the four months ending December 31, 2020 ("the profit forecast period").

4. Our Group's operation and financial performance will not be materially and adversely impacted by any of the risk factors set forth in the section headed "Risk Factors" in the Prospectus.

5. There will be no material changes in the business relationships between our Group and our suppliers, customers and other contract counterparties, which may result in the loss of business opportunities or disruption or termination of relevant projects.

6. Our Group will continue to be able to recruit sufficient qualified personnel to achieve our planned expansion and will at all times maintain a staffing level that will be sufficient for our operational requirements.

7. There will be no significant fluctuation for the fair value of the financial assets at fair value through profit or loss held by our Group.

8. Our Group's associates and joint venture will operate based on their latest business plan and it is assumed there will be no significant adverse impacts of the financial results of these associates and joint venture in the profit forecast period.

9. Saved for those specifically disclosed in the prospectus, our Group will not undertake any other major acquisition or disposal of assets or investments.

10. The profit forecast has been prepared after taking into account the continued involvement of our Directors, senior management and other necessary personnel in the development of our Group's operations. It is assumed that our Group will be able to retain our senior management and other personnel during the profit forecast period.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the sole purpose of inclusion in this prospectus, received from our Company's Reporting Accountants, KPMG, Certified Public Accountants, Hong Kong in connection with the forecast consolidated profit attributable to equity shareholders of our Company for the year ending December 31, 2020.

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

October 13, 2020

The Directors
Simcere Pharmaceutical Group Limited

Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

Simcere Pharmaceutical Group Limited ("the Company")

Profit Forecast for Year Ending December 31, 2020

We refer to the forecast of the consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2020 ("the Profit Forecast") set forth in the section headed "Financial Information" in the prospectus of the Company dated October 13, 2020 (the "Prospectus").

Directors' Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the six months ended June 30, 2020, the unaudited consolidated results based on the management accounts of the Group for the two months ended August 31, 2020 and a forecast of the consolidated results of the Group for the remaining four months ending December 31, 2020.

The Company's directors are solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated October 13, 2020, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

C. LETTER FROM THE JOINT SPONSORS

Morgan Stanley

CICC 中金公司

The Board of Directors

Simcere Pharmaceutical Group Limited 先聲藥業集團有限公司

October 13, 2020

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity shareholders of Simcere Pharmaceutical Group Limited (the "**Company**") for the year ended December 31, 2020 (the "**Profit Forecast**") as set out in the section headed "Financial Information – Profit Forecast For the Year Ending December 31, 2020" in the prospectus of the Company dated October 13, 2020 (the "**Prospectus**").

The Profit Forecast, for which the directors of the Company (the "**Directors**") are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended June 30, 2020 as set out in the Accountants' Report of the Group in Appendix I to the Prospectus, the unaudited consolidated results based on the management accounts of the Group for the two months ended August 31, 2020 and the forecast of the consolidated results of the Group for the remaining four months ending December 31, 2020.

We have discussed with you the bases and assumptions made by the Directors as set out in Appendix III to the Prospectus, upon which the Profit Forecast has been made. We have also considered, and relied upon, the letter dated October 13, 2020 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Morgan Stanley Asia Limited
Michelle Kong
Managing Director

For and on behalf of
China International Capital Corporation Hong Kong Securities Limited
Barry Chan
Managing Director

This Appendix contains a summary of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. A copy of the Articles of Association is available for inspection at the address specified in the section headed "Appendix VI – Documents Delivered to the Registrar of Companies and Available for Inspection."

The Articles of Association were conditionally adopted on October 8, 2020 and will be effective on the date of the Hong Kong Underwriting Agreement. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, or the ordinances, subsidiary legislation and the Listing Rules.

CHANGES IN CAPITAL

The Company may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in section 170 of the Companies Ordinance, including but not limited to:

(i) increasing its share capital by allotting and issuing new shares in accordance with the Companies Ordinance;

(ii) increasing its share capital without allotting and issuing new shares, if the funds or other assets for the increase are provided by the members of the Company;

(iii) capitalising its profits, with or without allotting and issuing new shares;

(iv) allotting and issuing bonus shares with or without increasing its share capital;

(v) converting all or any of its share into a larger or smaller number of existing shares;

(vi) dividing its shares into several classes and attaching thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting;"

(vii) cancelling shares:

(a) that, at the date of the passing of the resolution for cancellation, have not been taken or agreed to be taken by any person; or

(b) that have been forfeited; or

(viii) making provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital in any manner allowed by law.

MODIFICATION OF RIGHTS

Subject to the provisions of the Companies Ordinance, all or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions contained in the Articles of Association relating to general meetings shall mutatis mutandis apply to every such meeting, except that (a) the quorum thereof shall be not less than two persons holding or representing by proxy one third of the total voting rights of holders of shares of the class, and that (b) any holder of shares of that class present in person or by proxy may demand a poll.

The provisions of the foregoing Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied.

The special rights conferred upon the holders of the shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu with them.

TRANSFER OF SHARES

The right of members to transfer their fully-paid shares shall not be restricted (except where permitted by the Stock Exchange) and shall also be free from all lien.

The instrument of transfer of any shares in the Company shall be in writing and in the usual form or in such other form as the Board may accept and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The instrument of transfer may be executed by hand only or, if the transferor or transferee is a Clearing House (or its nominee), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. Nothing in the Articles of Association shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

Every instrument of transfer and other documents relating to or affecting the title to any shares of the Company shall be lodged at the Office for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require in relation thereto.

All instruments of transfer which shall be registered shall be retained by the Company, but save where fraud is suspected, any instrument of transfer which the Directors refuse to register shall, on demand, be returned to the person lodging the same.

There shall be paid to the Company in respect of the registration of a transfer and of any grant of probate or letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any share or for making of any entry in the Register affecting the title to any share such fee (if any) as the Directors may from time to time require or prescribed, provided that such fee (if any) shall not exceed the maximum fees as the Stock Exchange may from time to time prescribe or permit.

GENERAL MEETINGS

The Company shall in respect of each financial year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held within 6 months after the end of each financial year and at such place(s) as may be determined by the Directors.

The Directors may whenever they think fit, and shall on requisition in accordance with the Companies Ordinance, convene an extraordinary general meeting.

NOTICE OF GENERAL MEETINGS

Subject to section 578 of the Companies Ordinance, an annual general meeting shall be called by not less than notice in writing of at least 21 days (or such longer period as may be required by the Listing Rules), and any other general meeting shall be called by not less than notice in writing of at least 14 days (or such longer period as may be required by the Listing Rules).

Notwithstanding that a meeting of the Company is called by shorter notice than that specified in the Articles of Association or required by the Companies Ordinance, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than 95 per cent of the shares giving that right.

The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

Subject to sections 576 and 578 of the Companies Ordinance, the notice shall specify the place(s), date and time of 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. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a member of the Company.

VOTING AT MEETINGS

Subject to the provisions of the Companies Ordinance, the Articles of Association and to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.

On a poll, votes may be given either personally or by proxy or (in the case of a corporate member) by a duly authorised representative. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names stand in the Register in respect of such share.

Where a member is, under the Listing Rules, required to abstain from voting on any resolution or restricted to voting only for or only against any resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

DIRECTORS NEED NOT BE MEMBERS

A Director need not hold any shares in the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at all general meetings of the Company.

BORROWING POWERS

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

DIRECTORS' APPOINTMENT, REMOVAL AND RETIREMENT

The Company may, from time to time, by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

No person (other than a Director retiring in accordance with the Articles of Association) shall be eligible for election to the office of Director at any general meeting under the last paragraph unless:

(a) he is recommended by the Board for re-election; or

(b) he is nominated by notice in writing by a member (other than the person to be proposed) entitled to attend and vote at the meeting, and such notice of nomination shall be given to the Company Secretary within the seven-day period (or a longer period as may be determined by the Directors from time to time) commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than seven days prior to the date appointed for such meeting. The notice of nomination shall be accompanied by a notice signed by the proposed candidate indicating his willingness to be appointed or re-appointed.

Without prejudice to the power of the Company in general meeting in accordance with any of the provisions of the Articles of Association to appoint any person to be a Director, the Board shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board, provided that the number of Directors so appointed shall not exceed the maximum number (if any) determined pursuant to the Articles of Association. Any Directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for reelection, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.

The Company may, at any general meeting convened and held in accordance with the Companies Ordinance, by ordinary resolution remove any Director before the expiration of his period of service notwithstanding anything in the Articles of Association or in any agreement between him and the Company (but without prejudice to any claim he may have for damages for termination of such agreement not in accordance with its terms), and may, if thought fit, by ordinary resolution appoint another person in his stead. Any person so elected shall hold office for such time only as the Director in whose place he is elected would have held the same if he had not been removed.

The office of a Director shall *ipso facto* be vacated:

(a) if he ceases to be a Director by virtue of any provision of the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or he becomes prohibited by law or court order from being a Director;

(b) if he becomes bankrupt or a receiving order (or, in the case of a company, a winding-up order) is made against him or he makes any arrangement or composition with his creditors generally;

(c) if he is, or may be, suffering from mental disorder and an order is made by a court claiming jurisdiction in that behalf (whether in Hong Kong or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person by whatever name called to exercise powers with respect to his property or affairs;

(d) if he is absent from meetings of the Board during a continuous period of six months without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended such meetings in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;

(e) if he is removed from office by notice in writing served upon him signed by all other Directors;

(f) if he serves on the Company notice of his wish to resign, in which case he shall vacate office on the service of such notice to the Company or such later time as is specified in such notice;

(g) if he is removed by ordinary resolution in accordance with the Companies Ordinance or removed; or

(h) if he is convicted of an indictable offence.

If the office of a Director is vacated for any reason, he shall cease to be a member of any committee or sub-committee appointed by the Board.

DIRECTORS' REMUNERATION AND EXPENSES

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, and such sum (unless otherwise directed by resolution by which it is voted) is to be divided amongst the Directors in such proportions and in such manner as the Board 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. The foregoing shall not apply to a Director who holds any salaried employment or office in the Company in the case of sums paid in respect of directors' fees.

The Directors shall also be entitled to be repaid their reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or on the discharge of their duties as directors.

The Board may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or 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 (if any) as a Director, and may, without prejudice to the payment of ordinary remuneration, be made payable by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may decide.

DIRECTORS' INTERESTS

If a Director or any entity connected with the Director is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with the Company, such Director shall declare the nature and extent of his interest or his connected entities' interest at a meeting of the Directors at which the question of entering into the transaction, arrangement or contract is first taken into consideration, if he knows his interest then exists, or in any other case as soon as reasonably practicable, and in any event at the first meeting of Directors after he knows that he is or has become so interested. Such declaration shall be made in accordance with the Companies Ordinance, the Articles of Association and any other requirements prescribed by the Company for the declaration of interests of Directors in force from time to time. References to an entity connected with a Director shall be construed in accordance with section 486 of the Companies Ordinance.

A general notice in writing given by a Director to the Directors at a meeting of the Directors to the effect that he is a member or a director of a specified company or firm, and is to be regarded as interested in any contract, transaction, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall be deemed to be a sufficient declaration of interest in relation to any contract, transaction, arrangement or dealing so entered into or made if such declaration is made in accordance with the provisions of the Companies Ordinance.

A Director may:

(a) hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as the Directors may determine and may be paid such extra remuneration for so doing as the Directors may determine, either in addition to or in lieu of any remuneration provided for by or pursuant to the Articles of Association;

(b) act by himself or his firm in a professional capacity for the Company (other than as Auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;

(c) continue to be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them as directors, managing directors, joint managing directors, deputy managing directors or officers of such company) and any Director may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or is about to be appointed as a director or officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Subject to the provisions of the Companies Ordinance, no Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any contract, transaction or arrangement entered into by or on behalf of the Company with any Director or any firm or company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefits realised by any such contract, transaction or arrangement by reason only of such Director holding that office or of any fiduciary relationship thereby established, provided that such Director shall duly declare the nature and extent of his interest in any contract, transaction or arrangement in accordance with the Articles of Association.

A Director shall not vote (or be counted in the quorum) on any resolution of the Board in respect of any contract or transaction or arrangement or proposal in which he or any of his close associates, is to his knowledge, materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to and the Directors may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:

(a) the giving by the Company of any security or indemnity to him or any of his close associates 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;

(b) the giving by the Company 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 he himself or any of his close associates has assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offering of shares or 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 he or any of his close associates is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal concerning any other company in which he or his close associates are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which he or his close associates are beneficially interested in shares of that company, provided that he and any of his close associates are not in aggregate beneficially interested in five per cent or more of the issued shares of any class of the share capital of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;

(e) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

    (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which he or his close associates may benefit; or

    (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to him, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of him or his close associates any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and

(f) any contract or arrangement in which he or any of his close associates is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to the Director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the Director or any of his close associates concerned so far as known to him has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman of the meeting or any of his close associates, such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman so far as known to him has not been fairly disclosed to the Board.

Subject to the provisions of the Companies Ordinance, the Company may by ordinary resolution suspend or relax the provisions of the Article of Association to any extent or ratify any transaction not duly authorised by reason of a contravention of Article of Association.

DIVIDENDS

Subject to the provisions of the Companies Ordinance, the Company may by ordinary resolution declare a dividend to be paid to the members, according to their respective right and interests in the profits, and may fix the time for payment of such dividend, but no such dividend shall exceed the amount recommended by the Directors. No dividend shall be payable except out of the profits or other distributable reserves of the Company.

Unless and to the extent that the Articles of Association or 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 on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls shall be treated as paid on the share.

The Directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the Directors to be justified. If at any time the share capital of the Company is divided into different classes the Directors may resolve to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividend, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an

interim dividend on any shares having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the payment is justified.

The Board can offer Shareholders the right to choose to receive extra Shares, which are credited as fully paid up, instead of some or all of their cash dividend. The basis of such allotment shall be determined by the Board and the Board shall give notice in writing to the Shareholders of their rights of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective. The Shares allotted shall rank *pari passu* in all respects with the fully paid Shares then in issue save only as regards participation in the relevant dividend or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

The Directors may distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend any of the assets of the Company, and in particular any shares or securities of other companies to which the Company is entitled, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members 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 Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective. Where required, a contract shall be filed in accordance with the provisions of the Companies Ordinance and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend and such appointment shall be effective.

INDEMNITY

Subject to the provisions of the Companies Ordinance, every Director, Company Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto.

WINDING UP

If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. The winding up is subject to the rights of the holders of any shares which may be issued on special terms or conditions.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated as a private company limited by shares in Hong Kong under the Companies Ordinance on November 30, 2015 under the name of Sound & Sincere Investment Limited (興聲投資有限公司). The name of our Company was changed to Simcere Pharmaceutical (Hong Kong) Limited (先聲藥業(香港)有限公司) on January 16, 2019 and was further changed to Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) on June 17, 2019. Our registered office is at 43/F, AIA Tower, 183 Electric Road, North Point, Hong Kong.

As our Company was incorporated in Hong Kong, we operate subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Articles of Association. A summary of the Articles of Association is set forth in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

On the date of incorporation, our Company allotted and issued one Share to SPHL. The following sets out the alterations in the share capital of our Company since the date of its incorporation:

(i) On December 31, 2017, our Company allotted and issued 39,999 Shares to SPHL.

(ii) On June 21, 2019, our Company allotted and issued an aggregate of 2,345,077,618 new Shares. The details of the subscribers are as follows:

Name of Shareholder	Number of Issued Shares
SPHL	1,195,969,986
Artking	606,810,031
EGG	130,669,050
FFI	120,961,370
Premier Praise	114,986,405
King View	57,918,000
Excel Management	54,719,407
Fosun Industrial	43,600,629
Palace Investments	19,442,740
Total	2,345,077,618

(iii) On April 15, 2020, EGG transferred 9,263,736 Shares of our Company to each of CNCB HK and CNCB SPC (acting on behalf of CNCB Investment), respectively. Upon completion of such transfer, the shareholding structure of our Company is as follows:

Name of Shareholder	Number of Issued Shares
SPHL	1,196,009,986
Artking	606,810,031
FFI	120,961,370
Premier Praise	114,986,405
EGG	112,141,578
King View	57,918,000
Excel Management	54,719,407
Fosun Industrial	43,600,629
Palace Investments	19,442,740
CNCB HK	9,263,736
CNCB SPC (acting on behalf of CNCB Investment)	9,263,736
Total	2,345,117,618

(iv) Assuming the Global Offering becomes unconditional and the issue of Shares is made pursuant thereto (assuming that the Over-allotment Option is not exercised), the share capital of our Company immediately following the completion of the Global Offering will comprise 2,605,686,618 Shares.

(v) Assuming the Global Offering becomes unconditional and the issue of Shares is made pursuant thereto (assuming that the Over-allotment Option is exercised in full), the share capital of our Company immediately following the completion of the Global Offering will comprise 2,644,771,618 Shares.

Save as disclosed above, there has been no change in our share capital within the two years immediately preceding the date of this prospectus.

3. Resolutions in writing of our Shareholders passed on October 8, 2020

Pursuant to the written resolutions passed by our Shareholders on October 8, 2020, it was resolved, among others:

(a) our Company approved and adopted the Articles of Association with effect from the date of the Hong Kong Underwriting Agreement;

(b) conditional on (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued, (ii) the Offer Price being determined, and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option;

(ii) the grant of the Over-allotment Option by our Company to the International Underwriters, exercisable by the Joint Global Coordinators, pursuant to which the Joint Global Coordinators (on behalf of the International Underwriters) may require our Company to allot and issue up to an aggregate of additional 39,085,000 Shares to cover, among others, the over-allocation in the International Offering was approved; and

(iii) the proposed Listing was approved and our Directors were authorized to implement the Listing.

(c) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that number of Shares allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors other than pursuant to (i) a rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, and (iii) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed the aggregate of 20% of the total number of the Shares of the Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of our next annual general meeting; (ii) the expiration of the period within which we are required by

any applicable law or the Articles of Association to hold our next annual general meeting; or (iii) the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");

(d) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase 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, of Shares with a total number of not more than 10% of the total number of the Shares of the Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect during the Applicable Period; and

(e) the general unconditional mandate mentioned in paragraph (c) above be extended by the addition to the total number of issued Shares of our Company which may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to such general mandate of an amount representing the total number of issued Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For further details, see "History, Reorganization and Corporate Structure – Reorganization."

5. Changes in the share capital of our subsidiaries and Consolidated Affiliated Entity

A summary of the corporate information and the particulars of our subsidiaries are listed in the Accountants' Report as set out in Appendix I to this prospectus.

Save as disclosed in "History, Reorganization and Corporate Structure" and below, there has been no alteration in the share capital or the registered capital of any of our subsidiaries or our Consolidated Affiliated Entity within the two years immediately preceding the date of this prospectus:

Shanghai Xianyi

On September 11, 2018, the registered capital of Shanghai Xianyi was increased from RMB10,000,000 to RMB468,000,000.

Simcere Shanghai Pharmaceutical

On September 26, 2019, the registered capital of Simcere Shanghai Pharmaceutical was increased from RMB20,000,000 to RMB250,000,000.

Nanjing BioSciKin

On December 13, 2018, Nanjing BioSciKin was established in the PRC with an initial registered capital of RMB5,000,000.

On August 30, 2019, the registered capital of Nanjing BioSciKin increased from RMB5,000,000 to RMB46,660,000.

Simcere Innovation

On March 22, 2019, Simcere Innovation was incorporated in the State of Delaware, the United States with 1,000 shares of common stock with par value of USD0.001 per share.

Simgene Group

On April 9, 2020, Simgene Group was incorporated in the Cayman Islands with one share issued to Mapcal Limited with a par value of USD1.00 each. Mapcal Limited subsequently transferred the one share to our Company on the same date.

Shanghai Xianjing

On April 23, 2020, Shanghai Xianjing was established in the PRC with an initial registered capital of USD1,000,000.

Shanghai Xianbo

On April 22, 2020, Shanghai Xianbo was established in the PRC with an initial registered capital of RMB1,000,000.

6. Repurchase of Shares by our Company

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of our Shareholders passed on October 8, 2020, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company 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, of Shares with a total number not exceeding 10% of the total number of Shares of our Company in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of the Hong Kong. A listed company may not repurchase its own securities 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 as amended from time to time.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior

approval of the Stock Exchange. In addition, 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.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the 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.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been 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 a listed 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 a listed company 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) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made

during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or our gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

The exercise in full of the Repurchase Mandate, on the basis of 2,605,686,618 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to 260,568,661 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws and regulations from time to time in force in Hong Kong. Our Company has not repurchased any Shares since our incorporation.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, 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 as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

(a) a supplemental agreement dated April 8, 2020 entered into among Excel Good Group Limited, CNCB (Hong Kong) Investment Limited, CNCB Capital Value SPC (acting on behalf of CNCB Capital Opportunity Investment Fund SP) and our Company, pursuant to which certain special rights were granted to CNCB (Hong Kong) Investment Limited and CNCB Capital Value SPC (acting on behalf of CNCB Capital Opportunity Investment Fund SP) with respect to their shareholding in our Company;

(b) an exclusive business cooperation agreement dated April 30, 2020 entered into between Shanghai Xianjing Biological Technology Co., Ltd. (上海先競生物科技有限公司) and Shanghai Xianbo Biological Technology Co., Ltd. (上海先博生物科技有限公司), as further described in the section headed "Contractual Arrangements;"

(c) an exclusive option agreement dated April 30, 2020 entered into among Shanghai Xianjing Biological Technology Co., Ltd. (上海先競生物科技有限公司), Mr. Ren Jinsheng (任晉生), Mr. Zhu Zhenfei (朱振飛) and Shanghai Xianbo Biological Technology Co., Ltd. (上海先博生物科技有限公司), as further described in the section headed "Contractual Arrangements;"

(d) an equity pledge agreement dated April 30, 2020 entered into among Shanghai Xianjing Biological Technology Co., Ltd. (上海先競生物科技有限公司), Mr. Ren Jinsheng (任晉生), Mr. Zhu Zhenfei (朱振飛) and Shanghai Xianbo Biological Technology Co., Ltd. (上海先博生物科技有限公司), as further described in the section headed "Contractual Arrangements;"

(e) a shareholder's rights entrustment agreement dated April 30, 2020 entered into among Shanghai Xianjing Biological Technology Co., Ltd. (上海先競生物科技有限公司), Mr. Ren Jinsheng (任晉生), Mr. Zhu Zhenfei (朱振飛) and Shanghai Xianbo Biological Technology Co., Ltd. (上海先博生物科技有限公司), as further described in the section headed "Contractual Arrangements;"

(f) a cornerstone investment agreement dated October 8, 2020 entered into among our Company, Gaoling Fund, L.P., YHG Investment, L.P., Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and UBS AG Hong Kong Branch, details of which are included in the section headed "Cornerstone Investors;"

(g) a cornerstone investment agreement dated October 8, 2020 entered into among our Company, Lake Bleu Prime Healthcare Master Fund Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors;"

(h) a cornerstone investment agreement dated October 8, 2020 entered into among our Company, Jericho Capital Master Fund L.P., Jericho Asia Opportunities Master LP, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors;"

(i) a cornerstone investment agreement dated October 8, 2020 entered into among our Company, Sage Partners Master Fund, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors;"

(j) a cornerstone investment agreement dated October 8, 2020 entered into among our Company, OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P., Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors;"

(k) a cornerstone investment agreement dated October 8, 2020 entered into among our Company, New & High (HK) Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors;"

(l) a cornerstone investment agreement dated October 8, 2020 entered into among our Company, Red Earth Innovation International Company Limited, Morgan Stanley Asia Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors;" and

(m) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Name of Registered Proprietor	Trademark	Place of Registration	Registration Number	Class	Expiry Date
1.	Jiangsu Simcere	英太青	PRC	800117	5	2025-12-20
2.	Jiangsu Simcere	英太青	PRC	1375206	5	2030-03-20
3.	Jiangsu Simcere	法能	PRC	1134665	5	2027-12-13
4.	Jiangsu Simcere	诺威	PRC	6243129	5	2030-11-06
5.	Jiangsu Simcere	欣他	PRC	1360256	5	2030-02-06
6.	Jiangsu Simcere	欣他	PRC	6243127	5	2030-03-13
7.	Jiangsu Simcere	YINGTAIQING	PRC	1708410	5	2022-02-06
8.	Jiangsu Simcere	舒夫坦	PRC	3690536	5	2025-12-27
9.	Jiangsu Simcere	先声药业 Simcere	PRC	16201819	5, 35	2026-04-06
10.	Jiangsu Simcere	ENDU	PRC	6021079	5	2030-03-06
11.	Jiangsu Simcere	Newanti	PRC	6439801	5	2030-03-27
12.	Jiangsu Simcere	舒夫坦 Softan	PRC	7984034	5	2022-10-20
13.	Jiangsu Simcere	恩立施	PRC	42014291	5	2030-08-06
14.	Jiangsu Simcere	EnLength 恩立施	PRC	40526637	5	2030-04-13
15.	Jiangsu Simcere	恩立施	PRC	20968713	5	2027-10-06
16.	Jiangsu Simcere	NUOWEI	PRC	22717554	5	2028-02-20
17.	Jiangsu Simcere	XINTA	PRC	22717556	5	2028-02-20
18.	Jiangsu Simcere	FANENG	PRC	22717557	5	2028-04-06
19.	Jiangsu Simcere	SHUFUTAN	PRC	22717555	5	2028-02-20
20.	Wuhu Simcere	中人氟安	PRC	3272952	5	2024-05-20
21.	Wuhu Simcere	SinoFuan	PRC	3272951	5	2024-01-06
22.	Wuhu Simcere	ZHONGRENFUAN	PRC	22966923	5	2028-02-27
23.	Shandong Simcere	恩度	PRC	4209867	5	2027-08-06
24.	Shandong Simcere	endostar	PRC	4209870	5	2027-10-20
25.	Shandong Simcere	恩度 ENDOSTAR	PRC	5969144	5	2030-01-13
26.	Shandong Simcere	恩度	PRC	6776881	5	2030-06-06
27.	Simcere Pharmaceutical	也青	PRC	13461499	5	2025-01-27

No.	Name of Registered Proprietor	Trademark	Place of Registration	Registration Number	Class	Expiry Date
28.	Simcere Pharmaceutical		PRC	3380330	5	2024-07-13
29.	Simcere Pharmaceutical	捷佰舒	PRC	6963303	5	2030-09-27
30.	Simcere Pharmaceutical	捷佰立	PRC	4850025	5	2029-01-13
31.	Simcere Pharmaceutical		PRC	6915006	5	2030-10-06
32.	Simcere Pharmaceutical	BICUN	PRC	22717451	5	2028-02-20
33.	Simcere Pharmaceutical	JIEBAISHU	PRC	22717447	5	2028-02-20
34.	Simcere Pharmaceutical	DINGAN	PRC	22717450	5	2028-02-20
35.	Simcere Pharmaceutical	YEQING	PRC	22717445	5	2028-04-06
36.	Simcere Pharmaceutical	ANQI	PRC	22717553	5	2028-04-20
37.	Simcere Pharmaceutical	必存	PRC	1732434	5	2022-03-20
38.	Simcere Pharmaceutical	安信	PRC	1014734	5	2027-05-27
39.	Simcere Pharmaceutical	再奇	PRC	924717	5	2027-01-06
40.	Simcere Pharmaceutical	ANXIN	PRC	33762074	5	2029-06-06
41	Simcere Pharmaceutical	先必新	PRC	6317286	5	2030-03-27
42.	Hainan Simcere	安立青	PRC	719691	5	2024-12-13
43.	Hainan Simcere	再林	PRC	719695	5	2024-12-13
44.	Hainan Simcere	再立克	PRC	920725	5	2026-12-27
45.	Hainan Simcere	再克	PRC	924719	5	2027-01-06
46.	Hainan Simcere	再畅	PRC	924724	5	2027-01-06
47.	Hainan Simcere	顶安	PRC	1014732	5	2027-05-27
48.	Hainan Simcere	必奇	PRC	1134663	5	2027-12-13
49.	Hainan Simcere	欧迪佳	PRC	1280222	5	2029-06-06
50.	Hainan Simcere	艾得辛	PRC	1360255	5	2030-02-06
51.	Hainan Simcere	尤舒	PRC	1552482	5	2021-04-13
52.	Hainan Simcere	力宏	PRC	1907148	5	2022-09-20
53.	Hainan Simcere	必奇	PRC	3010723	5	2022-12-13
54.	Hainan Simcere	ZAILIN	PRC	3440799	5	2028-02-20
55.	Hainan Simcere	再林	PRC	3606808	5	2025-12-13

No.	Name of Registered Proprietor	Trademark	Place of Registration	Registration Number	Class	Expiry Date
56.	Hainan Simcere	再林 ZAILIN	PRC	4086025	5	2027-03-20
57.	Hainan Simcere		PRC	5036399	5	2029-04-27
58.	Hainan Simcere		PRC	5036400	5	2029-04-27
59.	Hainan Simcere	艾得辛	PRC	6177291	5	2030-02-27
60.	Hainan Simcere	Aidexin	PRC	10053468	5	2022-12-13
61.	Hainan Simcere		PRC	10102311	5	2023-01-06
62.	Hainan Simcere	IREMOD	PRC	22717432	5	2028-02-20
63.	Hainan Simcere	ZAILIKE	PRC	22717433	5	2028-02-20
64.	Hainan Simcere	ZAIKE	PRC	22717434	5	2028-02-20
65.	Hainan Simcere	ZAICHANG	PRC	22717436	5	2028-02-20
66.	Hainan Simcere	YOUSHU	PRC	22717437	5	2028-04-06
67.	Hainan Simcere	OUDIJIA	PRC	22717439	5	2028-02-20
68.	Hainan Simcere	BIQI	PRC	22717442	5	2028-04-06
69.	Hainan Simcere	ANLIQING	PRC	22717444	5	2028-02-20
70.	Hainan Simcere	顶安	PRC	24925394	5	2028-07-06
71.	Hainan Simcere	安奇	PRC	1014731	5	2027-05-27
72.	Hainan Simcere	安奇	PRC	25345339	5	2028-10-13
73.	Jiangsu Simcere		United States	5107097	5	2025-07-23
74.	Jiangsu Simcere		European Union	1285916	5	2025-07-23
75.	Shandong Simcere	恩度	Hong Kong	301159920	5	2028-07-13
76.	Shandong Simcere	恩度	Taiwan	01357581	5	2029-04-15
77.	Shandong Simcere	恩度	Japan	5218286	5	2029-03-27
78.	Shandong Simcere	恩度	Macao	N/038114	5	2023-02-02
79.	Hainan Simcere		Hong Kong	303661182	16	2026-01-17
80.	Simcere Pharmaceutical	安适	PRC	972695	5	2027-04-06

(b) Patents

As of the Latest Practicable Date, we have registered the following patents in the PRC:

(i) Patents concerning our major products

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
1	Bicun	Simcere Pharmaceutical	Edaravone injection and preparation process thereof	ZL201010264768.1	Invention	2010-08-26	2030-08-25
2	Bicun; Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	Phenyl pyrazole compound and preparation method and application thereof	ZL201410725327.5	Invention	2014-12-03	2034-12-02
3	Bicun	Jiangsu Simcere; Simcere Pharmaceutical	New use of 3-methyl-1-phenyl-2-pyrazoline-5-ketone	ZL201110046506.2	Invention	2011-02-26	2031-02-25
4	Bicun; Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	Synthesis process of edaravone metabolite	ZL200910264437.5	Invention	2009-12-22	2029-12-21
5	Bicun	Jiangsu Simcere; Simcere Pharmaceutical	Edaravone lyophilized preparation and preparation technique thereof	ZL200810123767.8	Invention	2008-06-04	2028-06-03
6	Bicun; Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical; Jilinsheng Boda Pharmaceutical Co., Ltd.	Pyrazolines compound as well as application and preparation method thereof	ZL201010156628.2	Invention	2010-04-27	2030-04-26
7	Bicun	Jiangsu Simcere; Simcere Pharmaceutical; Jilinsheng Boda Pharmaceutical Co., Ltd.	New use of edaravone	ZL200510095061.1	Invention	2005-10-28	2025-10-27
8	Jepaso	Simcere Pharmaceutical	Process for refining Nedaplatin	ZL200710022407.4	Invention	2007-05-17	2027-05-16
9	ZAILIN	Hainan Simcere	Amoxicillin particle and preparation process thereof	ZL201010556659.7	Invention	2010-11-24	2030-11-23
10	ZAILIN	Hainan Simcere	Package (ZAILIN Amoxicillin in granules)	ZL201930672536.1	Appearance design	2019-12-03	2029-12-02

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
11	ZAILIN	Hainan Simcere	Package (Amoxicillin dispersible tablets – Zailin)	ZL201530112246.3	Appearance design	2015-04-23	2025-04-22
12	Endostar	Jiangsu Simcere	Medicinal composition and application thereof	ZL201010182183.5	Invention	2010-05-25	2030-05-24
13	Endostar	Jiangsu Simcere	Method for preparing small-granularity recombination human vascular endothelium inhibin slowly-released particle for injection	ZL200910231612.0	Invention	2009-12-10	2029-12-09
14	Endostar	Jiangsu Simcere	Injection-use recombinant human Endostatin porous sustained-release microsphere and preparation method thereof	ZL200810019876.5	Invention	2008-03-20	2028-03-19
15	Endostar	Jiangsu Simcere	Recombinant human endostatin sustained-release injection oil preparation and preparation process thereof	ZL201110101864.9	Invention	2007-11-08	2027-11-07
16	Endostar	Shandong Simcere	Preparation method of recombined human blood-vessel endothelial inhibin sustained-released microsphere	ZL200710132290.5	Invention	2007-09-27	2027-09-26
17	Endostar	Jiangsu Simcere; Shandong Simcere	Method for detecting biological activity of recombinant human endostatin	ZL201710019912.7	Invention	2017-01-12	2037-01-11
18	Endostar	Jiangsu Simcere; Shandong Simcere	Stable rhEndostatin subcutaneous injection composition	ZL201610860508.8	Invention	2016-09-28	2036-09-27
19	Endostar	Jiangsu Simcere; Shandong Simcere	Method for preparing porous gel containing recombinant human endostatin	ZL201210235031.6	Invention	2012-07-09	2032-07-08

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
20	Endostar	Jiangsu Simcere; Shandong Simcere	Recombinant human endostatin temperature-sensitive gel composition for injection	ZL201010274209.9	Invention	2010-09-07	2030-09-06
21	Endostar	Jiangsu Simcere; Shandong Simcere	Method for preparing chitosan nanoparticles with recombinant human endostar for injection	ZL201010231316.3	Invention	2010-07-20	2030-07-19
22	Endostar	Jiangsu Simcere; Shandong Simcere	Method for preparing chitosan nanoparticles	ZL201010231319.7	Invention	2010-07-20	2030-07-19
23	Endostar	Jiangsu Simcere; Shandong Simcere	Method for preparing recombinant human endostatin chitosan nanoparticles for injection	ZL201010231337.5	Invention	2010-07-20	2030-07-19
24	Endostar	Jiangsu Simcere; Shandong Simcere	Pharmaceutical composition containing micronized human vascular endostatin	ZL200810122763.8	Invention	2008-06-30	2028-06-29
25	Endostar	Jiangsu Simcere; Shandong Simcere	Method for preparing sustained-release microspheres containing micronized recombinant human vascular endothelial inhibin	ZL200810122764.2	Invention	2008-06-30	2028-06-29
26	Endostar	Jiangsu Simcere; Shandong Simcere	Method for preparing micronized protein	ZL200810122765.7	Invention	2008-06-30	2028-06-29
27	Endostar	Jiangsu Simcere; Shandong Simcere	Recombinant human vascular endothelial inhibitor sustained-release injection oil formulation and preparation thereof	ZL200710135101.X	Invention	2007-11-08	2027-11-07
28	Endostar	Jiangsu Simcere; Shandong Simcere	Process for producing recombinant human vascular endothelial inhibitor composition sustained-release microsphere	ZL200710135102.4	Invention	2007-11-08	2027-11-07

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
29	Endostar	Jiangsu Simcere; Shandong Simcere	Recombined human blood vessel endothelial inhibin sustained-release injection composition	ZL200710132804.7	Invention	2007-09-30	2027-09-29
30	Endostar	Jiangsu Simcere; Shandong Simcere	Recombined human vascellum esoderma inhibin durative action preparation, preparation method and application thereof	ZL200710021667.X	Invention	2007-04-23	2027-04-22
31	Endostar	Jiangsu Simcere; Shandong Cancer Hospital & Institute	Recombinant human endostatin developer and its preparation method	ZL201210532923.2	Invention	2012-12-11	2032-12-10
32	Jiebaili	Jiangsu Simcere; Simcere Pharmaceutical	Pemetrexed disodium pharmaceutical composition and preparation method thereof	ZL201610828428.4	Invention	2016-09-18	2036-09-17
33	Softan	Jiangsu Simcere; Simcere Pharmaceutical	Rosuvastatin calcium medicine composition and preparation method thereof	ZL201610824497.8	Invention	2016-09-14	2036-09-13
34	Softan	Simcere Pharmaceutical; Jiangsu Simcere	Package (Rosuvastatin Calcium Tablets-Softan)	ZL201830599237.5	Appearance design	2018-10-25	2028-10-24
35	Iremod	Jiangsu Simcere; Hainan Simcere	Ailamode analogue and separation method thereof	ZL200910025605.5	Invention	2009-03-04	2029-03-03
36	Iremod	Jiangsu Simcere; China Pharmaceutical University	Igutimod slow release multielement composition and preparation method thereof	ZL201310124889.X	Invention	2013-04-11	2033-04-10
37	Iremod	Jiangsu Simcere; Hainan Simcere; Tianjin Institute of Pharmaceutical Research Co., Ltd.	Iguratimod crystal form and its composition	ZL200510015340.2	Invention	2005-10-09	2025-10-08

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
38	Iremod	Jiangsu Simcere; Hainan Simcere; Tianjin Institute of Pharmaceutical Research Co., Ltd.	Iguratimod crystalline form and composite thereof	ZL201010236651.2	Invention	2005-10-09	2025-10-08
39	Iremod	Jiangsu Simcere; Hainan Simcere; Tianjin Institute of Pharmaceutical Research Co., Ltd.	Iguratimod crystal habit and composition thereof	ZL201010236615.6	Invention	2005-10-09	2025-10-08
40	Iremod	Jiangsu Simcere; Hainan Simcere; Tianjin Institute of Pharmaceutical Research Co., Ltd.	Iguratimod crystal habit and composition thereof	ZL201010236636.8	Invention	2005-10-09	2025-10-08
41	Iremod	Jiangsu Simcere; Hainan Simcere; Tianjin Institute of Pharmaceutical Research Co., Ltd.	Process for preparing colatemo solid preparation and its solid preparation	ZL03121088.0	Invention	2003-03-24	2023-03-23
42	Iremod	Hainan Simcere	Package (Iremod – iguratimod tablet)	ZL201230001612.4	Appearance design	2012-01-05	2022-01-04
43	Newanti	Jiangsu Simcere; Simcere Pharmaceutical	Biapenem dimer and preparation method thereof	ZL200710307231.7	Invention	2007-12-29	2027-12-28
44	Newanti	Jiangsu Simcere; Simcere Pharmaceutical	Improved Biapenem preparation method	ZL200610038044.9	Invention	2006-01-26	2026-01-25
45	Yingtaiqing	Hainan Simcere	Package (Antine – diclofenac sodium sustained-release capsules)	ZL201130050931.X	Appearance design	2011-03-22	2021-03-21
46	Yingtaiqing	Jiangsu Simcere	Package (Antine – diclofenac sodium sustained-release capsule)	ZL201730206665.2	Appearance design	2017-05-27	2027-05-26
47	Yingtaiqing	Jiangsu Simcere	Package (Antine – diclofenac sodium sustained-release capsule)	ZL201730004837.8	Appearance design	2017-01-06	2027-01-05

(ii) Patents concerning our other existing products

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
1	Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	High-concentration injection of edaravone and natural borneol	ZL201510819604.3	Invention	2015-11-23	2035-11-22
2	Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	Edaravone and (+)2-camphol liniment and preparation method thereof	ZL201510751056.5	Invention	2015-11-06	2035-11-05
3	Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	New use of 3-methyl-1-phenyl-2-pyrazolin-5-ketone and 2-borneol composition	ZL201110230461.4	Invention	2011-08-12	2031-08-11
4	Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	New application of composition of 3-methyl-1-phenyl-2-pyrazoline-5-ketone and borneol	ZL201110046673.7	Invention	2011-02-26	2031-02-25
5	Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	Method for synthesizing sulfoacid organic compounds in one step	ZL201110025316.2	Invention	2011-01-24	2031-01-23
6	Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	New application of 3-methyl-1-phenyl-2-pyrazoline-5-ketone and 2-borneol composition	ZL201110005363.0	Invention	2011-01-12	2031-01-11
7	Sanbexin	Jiangsu Simcere; Simcere Pharmaceutical	A pharmaceutical composition and the application thereof in the preparation of medicine for the treatment of cerebrovascular diseases	ZL200980100527.9	Invention	2009-03-03	2029-03-02
8	Zanamivir dry powder for inhalation (Yeqing)	Jiangsu Simcere	Preparation method of zanamivir impurity	ZL201410164580.8	Invention	2014-04-22	2034-04-21

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
9	Zanamivir dry powder for inhalation (Yeqing)	Jiangsu Simcere; Simcere Pharmaceutical	HPLC determination method for detecting impurities in zanamivir and zanamivir-containing preparation	ZL201310058607.0	Invention	2013-02-25	2033-02-24
10	Oxaliplatin for Injection (Jiexin)	Simcere Pharmaceutical	Method for preparing oxaliplatin with very low content of impurities	ZL200910263079.6	Invention	2009-12-16	2029-12-15
11	Subcutaneous PD-L1 monodomain antibody combined medicine – 1	Jiangsu Simcere	Method for determining biology activity of PD-1 pathway inhibitor	ZL201510039969.4	Invention	2015-01-26	2035-01-25
12	KeChuanNing Tablet (Simcere); KeChuanNing Oral Liquid (Simcere)	Jiangsu Simcere	Medicine for resolving sputum and relieving asthma and cough, preparing process thereof	ZL03152998.4	Invention	2003-09-12	2023-09-11
13	Levamlodipine besylate tablet (Xinta)	Jiangsu Simcere; Hainan Simcere	Method for preparing levamlodipine from racemic amlodipine maleate	ZL200910030828.0	Invention	2009-04-17	2029-04-16
14	Palonosetron Hydro-chloride injection (Lowvo)	Jiangsu Simcere; Simcere Pharmaceutical	Preparation process of high-purity palonosetron Hcl	ZL200810122766.1	Invention	2008-06-30	2028-06-29
15	Dextromethorphan hydrobromide granules (Beitai)	Hainan Simcere	Package (Dextromethorphan Hydrobromide Granules – Beitai) (氢溴酸右美沙芬颗粒-贝泰)	ZL201530112128.2	Appearance design	2015-04-23	2025-04-22
16	Cefprozil granules (Lihong)	Hainan Simcere	Package	ZL201430253756.8	Appearance design	2014-07-24	2024-07-23

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
17	Aldioxa tablets (OUDIJIA)	Hainan Simcere	Package	ZL201430253826.X	Appearance design	2014-07-24	2024-07-23
18	Hydrotalcite chewable tablets (DINGAN)	Hainan Simcere	Package	ZL201430253620.7	Appearance design	2014-07-24	2024-07-23
19	Trazodone hydrochloride tablets (Ancozy)	Jiangsu Simcere	Package (trazodone hydrochloride tablets – Ancozy)	ZL201730381033.X	Appearance design	2017-08-18	2027-08-17
20	Bortezomib for injection (Enlength)	Simcere Pharmaceutical; Jiangsu Simcere	Package (Bortezomib for injection – Enlength)	ZL201930593904.3	Appearance design	2019-10-30	2029-10-29
21	ANLIQING	Hainan Simcere; Jiangsu Simcere	Package (Meloxicam table – ANLIQING)	ZL201930598461.7	Appearance design	2019-10-31	2029-10-30

(iii) Patents concerning our pipeline products

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
1	PEG-ENDO (Pegylated recombinant human endostatin for injection)	Jiangsu Simcere	Endostatin biological activity detection method	ZL201510092378.3	Invention	2015-03-02	2035-03-01
2	PEG-ENDO (Pegylated recombinant human endostatin for injection)	Jiangsu Simcere	Method for measuring free polyethyleneglycol content in sample or products	ZL200910025005.9	Invention	2009-02-16	2029-02-15

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
3	PEG-ENDO (Pegylated recombinant human endostatin for injection)	Jiangsu Simcere; Shandong Simcere; China Pharmaceutical University	Modified recombinant human endostatin and application thereof	ZL201510333514.3	Invention	2007-09-05	2027-09-04
4	Bendamustine hydrochloride for injection	Jiangsu Simcere	Bendamustine hydrochloride mannitol ester and preparation method and application	ZL201410341785.9	Invention	2014-07-17	2034-07-16
5	Bendamustine hydro-chloride for injection	Jiangsu Simcere	Preparation method of hydrochloric acid gamma-hydroxy bendamustine	ZL201010234591.0	Invention	2010-07-23	2030-07-22
6	Bendamustine hydro-chloride for injection	Jiangsu Simcere; Simcere Pharmaceutical	Preparation method and applications of bendamustine hydrochloride dimer	ZL201410188275.2	Invention	2014-05-06	2034-05-05
7	Docetaxel polymeric micelles for injection	Jiangsu Simcere	Novel method for preparing indissoluble medicaments liposome preparations	ZL200810019877.X	Invention	2008-03-20	2028-03-19
8	Docetaxel polymeric micelles for injection	Jiangsu Simcere	Docetaxel medical composition for injection and preparation method thereof	ZL200710132056.2	Invention	2007-09-20	2027-09-19
9	Docetaxel polymeric micelles for injection	Jiangsu Simcere	Preparation of docetaxel long-circulating liposome and freeze-dried powder injection thereof	ZL200710023587.8	Invention	2007-06-11	2027-06-10
10	Docetaxel polymeric micelles for injection	Jiangsu Simcere; Simcere Pharmaceutical	Sulfo-taxane derivative and preparation method and application thereof	ZL200910035934.8	Invention	2009-10-14	2029-10-13

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
11	Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection)	Jiangsu Simcere	Anti-VEGF antibody containing pharmaceutical composition	ZL201210156166.3	Invention	2012-05-17	2032-05-16
12	Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection)	Jiangsu Simcere; Apexigen	Anti-VEGF monoclonal antibody and pharmaceutical composition comprising said antibody	ZL201080018409.6	Invention	2010-08-27	2030-08-26
13	Lenvatinib mesilate capsules	Jiangsu Simcere	Synthesis method of important pharmaceutical and chemical intermediate 4-amino-3-chlorophenol	ZL201510779481.5	Invention	2015-11-13	2035-11-12
14	Y-2 sublingual tablets	Simcere Pharmaceutical; Yantai YenePharma Technology Co., Ltd.; Beijing Tiantan Hospital, Capital Medical University	Sublingual pharmaceutical composition of edaravone and (+)-2-borneol	ZL201780048512.7	Invention	2017-08-23	2037-08-22
15	CD19 CAR T-cell therapy	Shanghai Xianbo	Chimeric antigen receptor modified T cell and its use	ZL201510324558.X	Invention	2015-06-12	2035-06-11

(iv) Patents concerning our manufacturing facilities

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
1	Hainan Simcere	Dust removal device of filling mechanism of Diosmectite dispensing machine	ZL201920614314.9	Utility model	2019-04-30	2029-04-29
2	Hainan Simcere	Column mixer for making Naftopidil tablets	ZL201822181752.9	Utility model	2018-12-25	2028-12-24
3	Shandong Simcere	New type of air capture hood for anemometers	ZL201921076958.3	Utility model	2019-07-10	2029-07-09
4	Shandong Simcere	Recirculation-based sewage treatment device	ZL201921076105.X	Utility model	2019-07-10	2029-07-09
5	Shandong Simcere	Multi-channel sewage automatic sampling control circuit and its controlled automatic sampling device	ZL201921076040.9	Utility model	2019-07-10	2029-07-09
6	Shandong Simcere	Air return for easy daily cleaning	ZL201921075918.7	Utility model	2019-07-10	2029-07-09
7	Shandong Simcere	Equipment for urea crystal recovery	ZL201921076957.9	Utility model	2019-07-10	2029-07-09
8	Shandong Simcere	Clamping device for industrial sampling	ZL201921075961.3	Utility model	2019-07-10	2029-07-09
9	Shandong Simcere	Control system for over-standard humidity protection in clean area	ZL201921076003.8	Utility model	2019-07-10	2029-07-09
10	Shandong Simcere	Control circuit of electric continuously adjustable air valve	ZL201921076001.9	Utility model	2019-07-10	2029-07-09
11	Shandong Simcere	Calibration device for thermometer detection	ZL201921076096.4	Utility model	2019-07-10	2029-07-09
12	Shandong Simcere	Pipeline for pharmacy with temperature-detecting device on line sterilizes	ZL201821762929.8	Utility model	2018-10-30	2028-10-29
13	Shandong Simcere	High tightness stop valve	ZL201821677119.2	Utility model	2018-10-17	2028-10-16
14	Shandong Simcere	High-efficient laborsaving joint sealing platform	ZL201821677120.5	Utility model	2018-10-17	2028-10-16
15	Shandong Simcere	Rust-proof and dust-proof device for pharmaceutical weighing area	ZL201821635915.X	Utility model	2018-10-09	2028-10-08

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
16	Shandong Simcere	Novel plant substrate cultivation device	ZL201821635914.5	Utility model	2018-10-09	2028-10-08
17	Shandong Simcere	Paper collecting device of miniprinter	ZL201821635943.1	Utility model	2018-10-09	2028-10-08
18	Shandong Simcere	Bracket isolator for sterilizing pharmaceutical filling appliance	ZL201821635942.7	Utility model	2018-10-09	2028-10-08
19	Shandong Simcere	Fan filter unit with operation monitoring function	ZL201821635941.2	Utility model	2018-10-09	2028-10-08
20	Shandong Simcere	Pharmaceutical container pyrogen cleaning device	ZL201821635913.0	Utility model	2018-10-09	2028-10-08
21	Shandong Simcere	Automatic flowing back control circuit of waste liquid trap	ZL201821635944.6	Utility model	2018-10-09	2028-10-08
22	Shandong Simcere	Reinforced concrete water pipe cut-off equipment	ZL201721513537.3	Utility model	2017-11-14	2027-11-13
23	Shandong Simcere	Aseptic sample of fermentation cylinder and sample receiving system	ZL201720559592.X	Utility model	2017-05-18	2027-05-17
24	Shandong Simcere	Aseptic filteration monitoring system	ZL201720559441.4	Utility model	2017-05-18	2027-05-17
25	Shandong Simcere	Reaction type filling, loading system	ZL201620944205.X	Utility model	2016-08-25	2026-08-24
26	Shandong Simcere	Clean district personnel pass in and out automatic identification monitored control system	ZL201620942469.1	Utility model	2016-08-25	2026-08-24
27	Shandong Simcere	Airtight broken fungi tank	ZL201620943728.2	Utility model	2016-08-25	2026-08-24
28	Shandong Simcere	Full-automatic solution purification system	ZL201620944236.5	Utility model	2016-08-25	2026-08-24
29	Shandong Simcere	Ozone disinfection automatic system	ZL201620943100.2	Utility model	2016-08-25	2026-08-24
30	Shandong Simcere	Light concentrates timing control and mistake to go into self-closing circuit and controlling means thereof	ZL201520887092.X	Utility model	2015-11-06	2025-11-05
31	Shandong Simcere	Electrode auxiliary stand	ZL201520886935.4	Utility model	2015-11-06	2025-11-05

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
32	Shandong Simcere	Liquid soaks storage box for filter core	ZL201520882264.4	Utility model	2015-11-06	2025-11-05
33	Shandong Simcere	Stoste bucket rack	ZL201520882249.X	Utility model	2015-11-06	2025-11-05
34	Shandong Simcere	Stainless steel frame is prevented empting by triangular flask	ZL201520882370.2	Utility model	2015-11-06	2025-11-05
35	Wuhu Simcere	Demoulding device applicable to implants drugs unloading machine	ZL201921706304.4	Utility model	2019-10-12	2029-10-11
36	Wuhu Simcere	Counting device applicable to auto subpackage of implants	ZL201921706284.0	Utility model	2019-10-12	2029-10-11
37	Wuhu Simcere	Incubator holder suitable for the storage of the bacteria collector during the implant testing	ZL201921101286.7	Utility model	2019-07-15	2029-07-14
38	Wuhu Simcere	Sample bottle for the implant testing process	ZL201921101287.1	Utility model	2019-07-15	2029-07-14
39	Wuhu Simcere	Pin remover suitable for implant compression molding process	ZL201821756776.6	Utility model	2018-10-29	2028-10-28
40	Wuhu Simcere	Temperature probe calibration clamp suitable for implant temperature monitoring	ZL201821756778.5	Utility model	2018-10-29	2028-10-28
41	Wuhu Simcere	Feeding device suitable for cleaning implant mold	ZL201821714137.3	Utility model	2018-10-23	2028-10-22
42	Wuhu Simcere	The workbench is suitable for implant filling	ZL201821714140.5	Utility model	2018-10-23	2028-10-22
43	Wuhu Simcere	The device is suitable for sub-packaging implant powder in inner bag	ZL201821714133.5	Utility model	2018-10-23	2028-10-22
44	Wuhu Simcere	The sealing structure is suitable for fluorouracil implant sterilizer	ZL201821714189.0	Utility model	2018-10-23	2028-10-22
45	Wuhu Simcere	The material receiving device is suitable for implant electronic supervision code tagging equipment	ZL201821714162.1	Utility model	2018-10-23	2028-10-22

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
46	Wuhu Simcere	Vibration feeder suitable for in implant production process	ZL201720966492.9	Utility model	2017-08-04	2027-08-03
47	Wuhu Simcere	Medicine grain filling device suitable for packer preface in implant	ZL201720966422.3	Utility model	2017-08-04	2027-08-03
48	Wuhu Simcere	Ration pressing sprayer suitable for implant inspection process culture medium filling equipment	ZL201720966506.7	Utility model	2017-08-04	2027-08-03
49	Wuhu Simcere	Equipment suitable for culture medium quantitative filling among fluorouracil implant inspection process	ZL201720966572.4	Utility model	2017-08-04	2027-08-03
50	Wuhu Simcere	Be applied to solid medicine article shedder of implant production field	ZL201620754798.3	Utility model	2016-07-18	2026-07-17
51	Wuhu Simcere	Many probe calibration constant temperature plug-in components devices suitable for implant preparation process	ZL201620736626.3	Utility model	2016-07-13	2026-07-12
52	Wuhu Simcere	Automation of being applied to electronic monitoring code coding collection system box-packed putting that fall	ZL201620650989.5	Utility model	2016-06-28	2026-06-27
53	Wuhu Simcere	Material transfer device suitable for implant press mold process	ZL201520564571.8	Utility model	2015-07-28	2025-07-27
54	Wuhu Simcere	Cleaning equipment suitable for implant mould	ZL201520560235.6	Utility model	2015-07-28	2025-07-27

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
55	Wuhu Simcere	A testing arrangement that is used for implant workshop to subside fungus	ZL201520484852.2	Utility model	2015-07-03	2025-07-02
56	Wuhu Simcere	Belt cleaning device suitable for implant endocyst material	ZL201520485729.2	Utility model	2015-07-03	2025-07-02
57	Wuhu Simcere	Material receiving device suitable for implant demolding process	ZL201420330401.9	Utility model	2014-06-19	2024-06-18
58	Wuhu Simcere	Material receiving device suitable for horizontal type labeling machine	ZL201420323219.0	Utility model	2014-06-17	2024-06-16
59	Wuhu Simcere	Washing device suitable for implant molds	ZL201420319762.3	Utility model	2014-06-16	2024-06-15
60	Wuhu Simcere	Adjusting device suitable for thermal coding machine	ZL201420319781.6	Utility model	2014-06-16	2024-06-15
61	Wuhu Simcere	Sampling device suitable for high-temperature liquid	ZL201420304502.9	Utility model	2014-06-09	2024-06-08
62	Wuhu Simcere	Automatic ultraviolet lamp start-stop control circuit	ZL201320009427.9	Utility model	2013-01-09	2023-01-08
63	Wuhu Simcere	Fixture suitable for multi-detector temperature calibration	ZL201220426275.8	Utility model	2012-08-27	2022-08-26
64	Wuhu Simcere	Pharmaceutical equipment suitable for implant mold pressing procedure	ZL201510460491.2	Invention	2015-07-28	2035-07-27

(v) Other general patents[1]

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
1	Hainan Simcere	Medicine composition for treating upper respiratory tract infection and its preparation process	ZL200410094514.4	Invention	2004-10-30	2024-10-29
2	Jiangsu Simcere	Solid preparation of azilsartan and levamlodipine besylate composition and preparation method of solid preparation	ZL201510766656.9	Invention	2015-11-11	2035-11-10
3	Jiangsu Simcere	Crystallized polycrystalline substances of quinazoline derivative hydrochloride	ZL201510274335.7	Invention	2015-05-26	2035-05-25
4	Jiangsu Simcere	Thieno-[3,2-c] pyridine type compound as well as preparation method and application thereof	ZL201410119546.9	Invention	2014-03-27	2034-03-26
5	Jiangsu Simcere	Fused heterocycle compound as Bruton kinases inhibitor	ZL201310211840.8	Invention	2013-05-30	2033-05-29
6	Jiangsu Simcere	Bicyclic heterocyclic amine Hedgehog signal pathway inhibitor	ZL201310198730.2	Invention	2013-05-24	2033-05-23
7	Jiangsu Simcere	Bruton's kinase inhibitor	ZL201310192167.8	Invention	2013-05-22	2033-05-21
8	Jiangsu Simcere	Vilazodone hydrochloride composition and preparation method thereof	ZL201310146602.3	Invention	2013-04-24	2033-04-23
9	Jiangsu Simcere	Medicinal compound as neuroprotective agent	ZL201310080526.0	Invention	2013-03-13	2033-03-12
10	Jiangsu Simcere	Pyrazolo [3,4-d] pyrimidine compounds and preparation method thereof	ZL201310055425.8	Invention	2013-02-21	2033-02-20

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
11	Jiangsu Simcere	Dihydropyran pyrimidine derivatives and pharmaceutical application thereof	ZL201310006146.2	Invention	2013-01-08	2033-01-07
12	Jiangsu Simcere	Pyrimidinamine and pyridinamine Hedgehog signal conduction inhibitors	ZL201210529962.7	Invention	2012-12-10	2032-12-09
13	Jiangsu Simcere	Novel synthetic method of prasugrel free base	ZL201210460819.7	Invention	2012-11-16	2032-11-15
14	Jiangsu Simcere	Thienoimidazole-like derivatives and applications thereof	ZL201210460829.0	Invention	2012-11-16	2032-11-15
15	Jiangsu Simcere	Pyrazolopyridine derivatives for inhibiting activity of insulin-like growth factor-1 receptor (IGF-1R) tyrosine kinase	ZL201210461087.3	Invention	2012-11-15	2032-11-14
16	Jiangsu Simcere	Substituted furan-piperidine derivative and application thereof	ZL201210369245.2	Invention	2012-09-28	2032-09-27
17	Jiangsu Simcere	Method of preparing vilazodone and intermediate thereof	ZL201210335254.X	Invention	2012-09-11	2032-09-10
18	Jiangsu Simcere	Azilsartan polymorphic substance and preparation method thereof	ZL201210288384.2	Invention	2012-08-14	2032-08-13
19	Jiangsu Simcere	Method for preparing vilazodone and intermediate thereof	ZL201210254543.7	Invention	2012-07-20	2032-07-19
20	Jiangsu Simcere	Hydrogenated acridine derivative and application thereof	ZL201210230828.7	Invention	2012-07-04	2032-07-03
21	Jiangsu Simcere	Compound taken as potassium channel regulator	ZL201210224002.X	Invention	2012-06-29	2032-06-28

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
22	Jiangsu Simcere	5-Amino-1,4-dihydro-1,8-naphthyridine derivatives and pharmaceutical compositions as well as uses thereof	ZL201210104212.5	Invention	2012-04-10	2032-04-09
23	Jiangsu Simcere	One type of benzofuran derivatives and medical application thereof	ZL201210104623.4	Invention	2012-04-10	2032-04-09
24	Jiangsu Simcere	Methanol solvate of quinazoline intermediate and preparation method thereof	ZL201210049553.7	Invention	2012-02-29	2032-02-28
25	Jiangsu Simcere	Piperazine compound and application thereof	ZL201210024813.5	Invention	2012-02-06	2032-02-05
26	Jiangsu Simcere	Fused heterocycle derivative and application thereof	ZL201110460766.4	Invention	2011-12-31	2031-12-30
27	Jiangsu Simcere	Synthesis method for 2,7-naphthyridine-1(2H)-ketone	ZL201110407677.3	Invention	2011-12-09	2031-12-08
28	Jiangsu Simcere	Pyrimidine compounds and application thereof	ZL201110361661.3	Invention	2011-11-15	2031-11-14
29	Jiangsu Simcere	2,7-naphthyridine derivative, and preparation method and application thereof	ZL201110262624.7	Invention	2011-09-06	2031-09-05
30	Jiangsu Simcere	Method for preparing imatinib methylolsulfonate alpha crystal through inverse solvent recrystallization method	ZL201110211545.3	Invention	2011-07-27	2031-07-26
31	Jiangsu Simcere	Inhibitor of benzoylammonia histone deacetylase	ZL201110132750.0	Invention	2011-05-20	2031-05-19
32	Jiangsu Simcere	A new preparation method for Dasatinib N-06 crystal form	ZL201110041185.7	Invention	2011-02-21	2031-02-20
33	Jiangsu Simcere	New preparation method of Lenalidomide B crystal form	ZL201110039831.6	Invention	2011-02-17	2031-02-16

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
34	Jiangsu Simcere	Preparation method of pyrrole derivative and application thereof	ZL201110027560.2	Invention	2011-01-26	2031-01-25
35	Jiangsu Simcere	Application of antineoplastic constituent compound in solanum nigrum	ZL201110005350.3	Invention	2011-01-12	2031-01-11
36	Jiangsu Simcere	Compound, and preparation method and application thereof	ZL201010604750.1	Invention	2010-12-23	2030-12-22
37	Jiangsu Simcere	Benzamide histone deacetylase inhibitor	ZL201010564029.4	Invention	2010-11-29	2030-11-28
38	Jiangsu Simcere	Dasatinib solvate and preparation method thereof	ZL201010561241.5	Invention	2010-11-26	2030-11-25
39	Jiangsu Simcere	Compound and application thereof as L-calcium channel retarder or/and acetylcholinesterase inhibitor	ZL201010546303.5	Invention	2010-11-15	2030-11-14
40	Jiangsu Simcere	Preparation method for crystal form Gefitinib Form 1	ZL201010515608.X	Invention	2010-10-14	2030-10-13
41	Jiangsu Simcere	Preparation method of Erlotinib hydrochloride with crystal form A	ZL201010274216.9	Invention	2010-09-07	2030-09-06
42	Jiangsu Simcere	Polysaccharide sulfate fragment (PSC), preparation method and application thereof	ZL201010231317.8	Invention	2010-07-20	2030-07-19
43	Jiangsu Simcere	New application of thio-taxane derivatives	ZL201010156619.3	Invention	2010-04-27	2030-04-26
44	Jiangsu Simcere	Dipeptide boric acid consisting of carboxylic acid and beta amino acid, and ester compound, preparation method and usage thereof	ZL200910034130.6	Invention	2009-09-01	2029-08-31
45	Jiangsu Simcere	Quinazoline compound and application thereof	ZL200910032700.8	Invention	2009-06-30	2029-06-29

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
46	Jiangsu Simcere	New method for preparing 1-substituted-2,2-dimethoxyethylamine hydrochloride	ZL200910031079.3	Invention	2009-04-27	2029-04-26
47	Jiangsu Simcere	Recombinant fusion protein and preparing method and application thereof	ZL200810242790.9	Invention	2008-12-30	2028-12-29
48	Jiangsu Simcere	Novel natural imidazole formic acid derivates, preparation method and use thereof	ZL200810155974.1	Invention	2008-10-22	2028-10-21
49	Jiangsu Simcere	Novel technique for synthesizing toroid quinazoline protein tyrosine kinase restrainer	ZL200810024518.3	Invention	2008-03-26	2028-03-25
50	Jiangsu Simcere	Novel toosendan fruit peel extract	ZL200810020388.6	Invention	2008-03-04	2028-03-03
51	Jiangsu Simcere	Method for removing benzyl from quinazoline molecules containing halogens	ZL200710191489.5	Invention	2007-12-20	2027-12-19
52	Jiangsu Simcere	Method for preparing pinane diol ester under $ZnCl_2$ catalysis	ZL200710191693.7	Invention	2007-12-14	2027-12-13
53	Jiangsu Simcere	Meliacarpinin derivatives, preparation method and use thereof	ZL200610096779.7	Invention	2006-10-16	2026-10-15
54	Jiangsu Simcere	Large scale preparation method for 3-[2-(dimethylamino)ethyl]-N-methyl-1-hydro-indoly-5-methanesulfonamide	ZL200610038045.3	Invention	2006-01-26	2026-01-25
55	Jiangsu Simcere	Chinese traditional medicine for preventing and treating osteoporosis and its preparation process	ZL200310112783.4	Invention	2003-12-26	2023-12-25

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
56	Jiangsu Simcere	Chinese traditional medicine for preventing and treating biliary tract inflammation and its preparation process	ZL200310106409.3	Invention	2003-11-24	2023-11-23
57	Shandong Simcere	Targeted interleukin fusion protein preparation method and use thereof	ZL201010185503.2	Invention	2010-05-28	2030-05-27
58	Jiangsu Simcere; Shandong Simcere	Preparation method of tumor necrosis factor related apoptosis induction ligand fusion protein	ZL201310089727.7	Invention	2013-06-05	2033-06-04
59	Jiangsu Simcere; Simcere Pharmaceutical	Pharmaceutical composition and application of same in preparation of medicines used for treating scalds	ZL201310087109.9	Invention	2013-03-18	2033-03-17
60	Jiangsu Simcere; Simcere Pharmaceutical	Pharmaceutical composition and its application in preparation of drugs treating scalds	ZL201310082606.X	Invention	2013-03-15	2033-03-14
61	Jiangsu Simcere; Simcere Pharmaceutical	One type of benzimidazole derivatives and application thereof	ZL201210106099.4	Invention	2012-04-11	2032-04-10
62	Jiangsu Simcere; Simcere Pharmaceutical	Phthalazine-like derivative and application thereof	ZL201210059422.7	Invention	2012-03-08	2032-03-07
63	Jiangsu Simcere; Simcere Pharmaceutical	Composition of 2,4-disulfonylalpha-phenyl-tert-butyl-nitrone and 2-camphenol	ZL201210055939.9	Invention	2012-03-06	2032-03-05
64	Jiangsu Simcere; Simcere Pharmaceutical	Pharmaceutical composition and application of same in preparation of medicines used for treating cerebrovascular diseases	ZL201110326844.1	Invention	2011-10-25	2031-10-24

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
65	Jiangsu Simcere; Simcere Pharmaceutical	Novel preparation method for Beta crystal type of lmatinib methane sulfonate	ZL201110043912.3	Invention	2011-02-23	2031-02-22
66	Jiangsu Simcere; Simcere Pharmaceutical	Novel synthesis method for pyrrole derivatives	ZL201110024849.9	Invention	2011-01-24	2031-01-23
67	Jiangsu Simcere; Simcere Pharmaceutical	Dipeptide boronic acids consisting of beta amino acids, ester compounds and preparation methods and uses thereof	ZL200810235724.9	Invention	2008-12-04	2028-12-03
68	Jiangsu Simcere; Hainan Simcere	Method for preparing pyrrolidine dispiros compound intermediate	ZL200810124761.2	Invention	2008-09-02	2028-09-01
69	Jiangsu Simcere; Wuhu Simcere	Camptothecin derivative, and preparation and use thereof	ZL200810019321.0	Invention	2008-01-03	2028-01-02
70	Jiangsu Simcere; Wuhu Simcere	Oxazino camptothecin derivative, preparation and use thereof	ZL200710132953.3	Invention	2007-10-09	2027-10-08
71	Jiangsu Simcere; Simcere Pharmaceutical	Aminochlorodipin, irbesartan compound preparation	ZL03150996.7	Invention	2003-09-19	2023-09-18
72	Simcere Biology; The General Hospital of Shenyang Military of PLA	Preparation and application of recombinant human CREG-Fc fusion protein	ZL201811060510.2	Invention	2018-09-12	2038-09-11
73	Jiangsu Simcere; Nanjing Xinnuotai Pharmaceutical Co., Ltd.	Peptidyl boronic acid, ester compound thereof, preparation method of peptidyl boronic acid and ester compound thereof, and use of peptidyl boronic acid and ester compound thereof	ZL200810022815.4	Invention	2008-07-30	2028-07-29

No.	Name of Registered Proprietor	Patent Name	Patent Number	Class of Patent	Application Date	Expiry Date
74	Jiangsu Simcere; Chen Guoqing; Nanjing Aidecheng Pharmaceutical Technology Co., Ltd.	Spiro compounds and methods of use	ZL200780001719.5	Invention	2007-01-14	2027-01-13
75	Hainan Simcere	Package (Sumatriptan Succinate Tablets – Youshu) (琥珀酸舒馬普坦片-尤舒)	ZL201530112215.8	Appearance design	2015-04-23	2025-04-22
76	BCY Pharm	Pentacyclic triterpenoid compound providing an acetyl-CoA carboxylase 1 (ACC1) protein regulating effect, and uses thereof	ZL201510744150.8	Invention	2015-11-05	2035-11-04
77	BCY Pharm	A pentacyclic triterpenoid compound with modified structure and preparation method and application thereof	ZL201480065401.3	Invention	2014-11-18	2034-11-17
78	BCY Pharm	A pentacyclic triterpenoid compound with modified structure and preparation method and application thereof	ZL201310623314.2	Invention	2013-11-30	2033-11-29
79	BCY Pharm	Composition for treating psoriasis and preparation method thereof	ZL201210567434.0	Invention	2012-12-25	2032-12-24

Note:

(1) These registered patents were developed during the process of our ground R&D work and have not been applied to any of our products as of the Latest Practicable Date.

As of the Latest Practicable Date, we have registered the following patents outside the PRC:

(i) Patents concerning our major products

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Place of Registration	Patent Number	Class of Patent	Application Date[1]	Expiry Date[3]
1	Endostar	Shandong Simcere	N-terminal modified recombinant human endostatin and its production	United States	US7078485	Invention	2002-12-05	2023-09-21

(ii) Patents concerning our other existing products

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Place of Registration	Patent Number	Class of Patent	Application Date[1]	Expiry Date[3]
1	Sanbexin	Jiangsu Simcere	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	United States	US10206905	Invention	2016-06-08	2036-06-07
2	Sanbexin	Jiangsu Simcere	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	Japan	JP6450887	Invention	2016-06-08	2036-06-07
3	Sanbexin	Jiangsu Simcere	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	Australia	AU2016276488	Invention	2016-06-08	2036-06-07
4	Sanbexin	Jiangsu Simcere	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	Canada	CA2985219	Invention	2016-06-08	2036-06-07

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Place of Registration	Patent Number	Class of Patent	Application Date[1]	Expiry Date[3]
5	Sanbexin	Jiangsu Simcere	Pharmaceutical Composition and its use in the preparation of a medicament for the treatment of cerebrovascular diseases	United States	US8658684	Invention	2009-03-03	2030-04-07
6	Sanbexin	Jiangsu Simcere	A pharmaceutical composition and the application thereof in the preparation of medicine for the treatment of cerebrovascular diseases	Australia	AU2009221546	Invention	2009-03-03	2029-03-02
7	Sanbexin	Jiangsu Simcere	A pharmaceutical composition and the application thereof in the preparation of medicine for the treatment of cerebrovascular diseases	Canada	CA2716874	Invention	2009-03-03	2029-03-02
8	Sanbexin	Jiangsu Simcere	A pharmaceutical composition and the application thereof in the preparation of medicine for the treatment of cerebrovascular diseases	Europe	EP2255804	Invention	2009-03-03	2029-03-02
9	Sanbexin	Jiangsu Simcere	A pharmaceutical composition and the application thereof in the preparation of medicine for the treatment of cerebrovascular diseases	Hong Kong	HK1150390	Invention	2009-03-03	2029-03-02
10	Sanbexin	Jiangsu Simcere	A pharmaceutical composition and the application thereof in the preparation of medicine for the treatment of cerebrovascular diseases	Japan	JP5272023	Invention	2009-03-03	2029-03-02

(iii) Patents concerning our pipeline products

No.	Related Products of Our Group	Name of Registered Proprietor	Patent Name	Place of Registration	Patent Number	Class of Patent	Application Date[1]	Expiry Date[3]
1	PEG-ENDO (Pegylated recombinant human endostatin for injection)	Jiangsu Simcere	Modified recombinant human endostatin and uses thereof	United States	US8802824	Invention	2008-09-04	2031-04-23
2	PEG-ENDO (Pegylated recombinant human endostatin for injection)	Jiangsu Simcere; Shandong Simcere	Modified recombinant human endostatin and its application	Europe	EP2196477	Invention	2008-09-04	2028-09-03
3	Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection)	Jiangsu Simcere; Apexigen	Anti-VEGF monoclonal antibody and pharmaceutical composition comprising said antibody	United States	US8986692	Invention	2010-08-27	2030-09-06
4	Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection)	Jiangsu Simcere; Apexigen	Anti-VEGF monoclonal antibody and pharmaceutical composition comprising said antibody	Europe	EP2471814	Invention	2010-08-27	2030-08-26
5	Sevacizumab (Humanized anti-VEGF monoclonal antibody for injection)	Jiangsu Simcere; Apexigen	Anti-VEGF monoclonal antibody and pharmaceutical composition comprising said antibody	Japan	JP5738294	Invention	2010-08-27	2030-08-26

(iv) Other general patents [4]

No.	Name of Registered Proprietor	Patent Name	Place of Registration	Patent Number	Class of Patent	Application Date[1]	Expiry Date[3]
1	Jiangsu Simcere	Salt form of tyrosine kinase inhibitor	United States	US9018242	Invention	2013-09-11[2]	2032-03-11
2	Jiangsu Simcere	3-Pyrrolo-cyclohexylene-2-dihydro-indolinone derivatives and uses thereof	Europe	EP2123649	Invention	2007-12-03	2027-12-02
3	Jiangsu Simcere	3-Pyrrolo[B] cyclohexylene-2-dihydroindolinone derivatives and uses thereof	India	IN316087	Invention	2007-12-03	2027-12-02
4	Jiangsu Simcere	3-Pyrrolo-cycloxylidene-2-Dihydro-indolinone derivative and uses thereof	Japan	JP5542445	Invention	2007-12-03	2027-12-02
5	Jiangsu Simcere	3-Pyrrolo[b]cyclohexylene-2-dihydroindolinone derivatives and uses thereof	United States	US8084621	Invention	2007-12-03	2027-12-02

Notes:

(1) The application date of the patents registered in the United States refers to the date disclosed in the INID (Internationally agreed Numbers for the Identification of (bibliographic) Data) code (22). The application date of the patents registered in India and Hong Kong refers to the PCT application international filing date of the relevant patents.

(2) The initial date of such patent's protection period is March 12, 2012.

(3) The European patent protection period is 20 years in its country of entry into force.

(4) These registered patents were developed during the process of our ground R&D work and have not been applied to any of our products as of the Latest Practicable Date.

As of the Latest Practicable Date, we have applied for the registration of the following patents in the PRC:

No.	Applicant	Patent Name	Patent Number	Class of Patent	Application Date
1	Jiangsu Simcere	Amoxicillin impurity and preparation method and application thereof	201811635285.0	Invention	2018/12/29
2	Jiangsu Simcere	Impurities of posaconazole and preparation method and application thereof	201811639953.7	Invention	2018/12/29

No.	Applicant	Patent Name	Patent Number	Class of Patent	Application Date
3	Jiangsu Simcere	Synthetic method of 3-n-butyl-l (3H)-isobenzofuranone	201811638787.9	Invention	2018/12/29
4	Jiangsu Simcere	HPLC analysis method for related substances of bortezomib	201811640847.0	Invention	2018/12/29
5	Jiangsu Simcere	Low water activity amoxicillin trihydrate pharmaceutical composition and preparation method thereof	201811641757.3	Invention	2018/12/29
6	Jiangsu Simcere	3-(Dimethylamino(phenyl) methylene)-2-oxoindole-6-carboxylic acid methyl ester and preparation method and application thereof	201811614198.7	Invention	2018/12/27
7	Jiangsu Simcere	Lenvatinib impurity and preparation method and application thereof	201811614519.3	Invention	2018/12/27
8	Jiangsu Simcere	Composition and preparation method thereof	201811575510.6	Invention	2018/12/22
9	Jiangsu Simcere	3-butyl-1(3H)-isobenzofuranone sulfobutyl-β-cyclodextrin inclusion compound and preparation method and application thereof	201811576330.X	Invention	2018/12/22
10	Jiangsu Simcere	Pharmaceutical preparation and preparation method thereof	201811576358.3	Invention	2018/12/22
11	Jiangsu Simcere	Pharmaceutical composition	201811576456.7	Invention	2018/12/22
12	Jiangsu Simcere	Preparation method of lenvatinib intermediate	201811536337.9	Invention	2018/12/14
13	Jiangsu Simcere	Preparation method for ezetimibe composition	201611236051.X	Invention	2016-12-28
14	Jiangsu Simcere	Preparation method and application of etoricoxib impurity	201611219504.8	Invention	2016-12-26
15	Jiangsu Simcere	Preparation method of Anamorelin	201611213282.9	Invention	2016-12-23
16	Jiangsu Simcere	Preparation method and applications of two tipiracil impurities	201611181144.7	Invention	2016-12-20
17	Jiangsu Simcere	Synthesis and applications of edaravone impurity	201611181350.8	Invention	2016-12-20
18	Jiangsu Simcere	Preparation method and application of melphalan dimmer hydrochloride	201611156843.6	Invention	2016-12-15
19	Jiangsu Simcere	Preparation method of Etoricoxib crystal form V	201611156864.8	Invention	2016-12-15

No.	Applicant	Patent Name	Patent Number	Class of Patent	Application Date
20	Jiangsu Simcere	Tofacitinib citrate enteric-coated sustained-release pellet and preparation method thereof	201610988949.6	Invention	2016-11-10
21	Jiangsu Simcere	Memantine hydrochloride sustained-release pellet and preparation method thereof	201610735626.6	Invention	2016-08-26
22	Jiangsu Simcere	Solid Regorafenib dispersion and preparation method thereof	201610601416.8	Invention	2016-07-27
23	Jiangsu Simcere	Obeticholic acid composition and preparation method thereof	201610592221.1	Invention	2016-07-26
24	Jiangsu Simcere	Preparation method for Osimertinib	201610445669.0	Invention	2016-06-20
25	Jiangsu Simcere	Preparation method and application of 4-[(2-chloroethyl-2-ethoxy) amino-]-L-phenylalanine hydrochloride	201610112196.2	Invention	2016-02-29
26	Jiangsu Simcere	Detection method for related substances in posaconazole	201510997088.3	Invention	2015-12-28
27	Jiangsu Simcere	Quick-release regorafenib pellet and preparation method thereof	201510999846.5	Invention	2015-12-28
28	Jiangsu Simcere	Preparation method of erlotinib hydrochloride impurities	201510970535.6	Invention	2015-12-22
29	Jiangsu Simcere	Preparation method and application of afatinib cis-isomer	201510889550.8	Invention	2015-12-07
30	Jiangsu Simcere	Obeticholic acid composition and preparation method thereof	201510882051.6	Invention	2015-12-03
31	Jiangsu Simcere	Regorafenib impurity preparation method	201510749838.5	Invention	2015-11-06
32	Jiangsu Simcere	Pramipexole hydrochloride sustained release preparation and preparation method thereof	201510542964.3	Invention	2015-08-28
33	Jiangsu Simcere	Nintedanib impurity and preparation method and application thereof	201410729582.7	Invention	2014-12-03
34	Jiangsu Simcere	A novel crystallographic form of ceritinib and preparation method thereof	201410714723.8	Invention	2014-11-29
35	Jiangsu Simcere	Preparation method and application of 4-[1-methyl-5-(2-chloroethyl-2-ethoxyl)amino-2-benzimidazolyl] butyric acid hydrochloride	201410188102.0	Invention	2014-05-06
36	Jiangsu Simcere	Tofacitinib analog and preparation method and application thereof	201410101534.3	Invention	2014-03-19

No.	Applicant	Patent Name	Patent Number	Class of Patent	Application Date
37	Jiangsu Simcere	Compound as potassium channel modulator	201810024836.3	Invention	2012-09-27
38	Jiangsu Simcere	Application of anti-VEGF antibody	201210156115.0	Invention	2012-05-17
39	Shandong Simcere	Device for concentration-treating medical waste liquid and method thereof	201910664754.X	Invention	2019-07-23
40	Wuhu Simcere	Drug carrier of slow-release chemotherapy target preparation in tumor operation and preparation method thereof	201910508872.1	Invention	2019-06-13
41	Wuhu Simcere	Device applicable to implant powder inner subpackage	201811233380.8	Invention	2018-10-23
42	Jiangsu Simcere; Simcere Pharmaceutical	Mycophenolate mofetil capsule and preparation method thereof	201910051239.4	Invention	2019/1/21
43	Jiangsu Simcere; Simcere Pharmaceutical	Sevelamer carbonate pharmaceutical composition and preparation method thereof	201910051569.3	Invention	2019/1/21
44	Jiangsu Simcere; Shandong Simcere	Purification method of 3-n-butyl-l (3H)-isobenzofuranone	201811639440.6	Invention	2018/12/29
45	Jiangsu Simcere; Simcere Biology	Combination primer for nested amplification and application thereof	201811618134.4	Invention	2018/12/28
46	Jiangsu Simcere; Simcere Biology	High-throughput method for constructing monoclonal antibody expression vector	201811618124.0	Invention	2018/12/28
47	Jiangsu Simcere; Simcere Pharmaceutical	HPLC method for detecting related substances in the side chain of Biapenem	201811590785.7	Invention	2018/12/25
48	Jiangsu Simcere; Shandong Simcere	Polyethylene glycol modified vascular endostatin preparation composition	201811584735.8	Invention	2018/12/24
49	Jiangsu Simcere; Hainan Simcere	ICP-MS detection method for soluble lead content in montmorillonite powder	201811550601.4	Invention	2018/12/18
50	Jiangsu Simcere; Hainan Simcere	Liquid chromatography method for determining clavulanic acid related substances in amoxicillin and clavulanate potassium pharmaceutical composition	201811437505.9	Invention	2018/11/28
51	Jiangsu Simcere; Hainan Simcere	Solid Rivaroxaban dispersion and preparation method thereof	201811131435.4	Invention	2018-09-27

No.	Applicant	Patent Name	Patent Number	Class of Patent	Application Date
52	Jiangsu Simcere; Simcere Pharmaceutical	Hydrochloride melphalan crystal form and preparation method and applications thereof	201710730165.8	Invention	2017-08-23
53	Jiangsu Simcere; Simcere Pharmaceutical	Preparation method of azacytidine	201710627067.1	Invention	2017-07-28
54	Jiangsu Simcere; Hainan Simcere	HPLC detection method of lauryl sodium sulfate in Ezetrol sample	201710467616.3	Invention	2017-06-20
55	Jiangsu Simcere; Hainan Simcere	HPLC detection method of lauryl sodium sulfate in cefaclor dry suspension sample	201710467614.4	Invention	2017-06-20
56	Jiangsu Simcere; Simcere Pharmaceutical	Photodegradation impurities of melphalan and salt thereof and HPLC detection method thereof	201710455236.8	Invention	2017-06-16
57	Jiangsu Simcere; Simcere Pharmaceutical	Applications of composition in preparation of drugs for treatment of concussion	201710029034.7	Invention	2017-01-16
58	Jiangsu Simcere; Simcere Pharmaceutical	Liquid chromatography method for separation and determination of palonosetron hydrochloride	201610864081.9	Invention	2016-09-28
59	Jiangsu Simcere; Hainan Simcere	Method for preparing diosmectite	201610817487.1	Invention	2016-09-12
60	Jiangsu Simcere; Simcere Pharmaceutical	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	201680029994.7	Invention	2016-06-08
61	Jiangsu Simcere; Hainan Simcere	Medicinal composition capable of preventing or treating inflammatory diseases	201610390779.1	Invention	2016-06-06
62	Jiangsu Simcere; Hainan Simcere	Medicinal composition capable of preventing or treating inflammatory diseases	201610390780.4	Invention	2016-06-06
63	Jiangsu Simcere; Simcere Pharmaceutical	An HPLC method for detecting N-(4-(benzyloxy)benzylidene) aniline in N-(4-(benzyloxy) benzylidene)-4-fluoroaniline	201610300721.3	Invention	2016-05-09
64	Jiangsu Simcere; Hainan Simcere	Iguratimod slow-release capsules and preparation method thereof	201510875704.8	Invention	2015-12-02
65	Jiangsu Simcere; Simcere Pharmaceutical	Application of pharmaceutical composition in preparation of medicines for treating kidney failure	201510752731.6	Invention	2015-11-06

No.	Applicant	Patent Name	Patent Number	Class of Patent	Application Date
66	Jiangsu Simcere; Simcere Pharmaceutical	Application of composition of 3-methyl-1-phenyl-2-pyrazoline-5-ketone and (+)2-borneol	201510753461.0	Invention	2015-11-06
67	Jiangsu Simcere; Simcere Pharmaceutical	Noxafil impurities and preparation methods thereof	201510753583.X	Invention	2015-11-06
68	Jiangsu Simcere; Simcere Pharmaceutical	Preparation method for pimavanserin	201510577381.4	Invention	2015-09-11
69	Jiangsu Simcere; Simcere Pharmaceutical	Nedaplatin impurity detection method	201510577425.3	Invention	2015-09-11
70	Jiangsu Simcere; Simcere Pharmaceutical	Pramipexole oxidated impurity, preparation and separation method and application thereof	201410748545.0	Invention	2014-12-09
71	Jiangsu Simcere; Simcere Pharmaceutical	Edaravone derivative and preparation and detection methods and application thereof	201810888177.8	Invention	2013-04-03
72	Jiangsu Simcere; Shandong Simcere; Simcere Biology	Endostatin subcutaneous injection	201811561734.1	Invention	2018/12/20
73	Jiangsu Simcere; Simcere Pharmaceutical; Wuhu Simcere	HPLC method for detecting cyclopropylamine in lenvatinib mesylate	201811458909.6	Invention	2018/11/30
74	Jiangsu Simcere; Hainan Simcere; Simcere Pharmaceutical	Posaconazole pharmaceutical composition for external use and preparation method and use thereof	201810732469.2	Invention	2018-07-05
75	Jiangsu Simcere; Simcere Pharmaceutical; Wuhu Simcere	Azacitidine and preparation method and application thereof	201710934163.0	Invention	2017-10-10
76	Jiangsu Simcere; Simcere Pharmaceutical; Wuhu Simcere	Azacitidine disaccharide impurity and preparation method and application thereof	201710933894.3	Invention	2017-10-10
77	Jiangsu Simcere; Zhejiang Provincial People's Hospital	Application of recombinant human endostatin in preparing drugs for treating ocular neovascular diseases	201410814133.2	Invention	2014-12-23

As of the Latest Practicable Date, we have applied for the registration of the following patents outside the PRC:

No.	Applicant	Patent Name	Place of Registration	Patent Number	Class of Patent	Application Date[(1)]
1	Jiangsu Simcere	Pyrimidine pyrazole compound as fourth-generation EGFR inhibitors	–	PCT/CN2019/113608	Invention	2019-10-28
2	Jiangsu Simcere	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	Hong Kong	HK18111444.9	Invention	2016-06-08
3	Jiangsu Simcere	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	Europe	EP16806843	Invention	2016-06-08
4	Jiangsu Simcere	Use of composition for preparing a medicament for treatment of amyotrophic lateral sclerosis	Hong Kong	HK17113792.4	Invention	2016-06-08

Note:

(1) The application date of the above patents refers to the PCT application international filing date of the relevant patents.

(c) Domain names

As of the Latest Practicable Date, we had registered the following domain names:

No.	Domain Names	Registered Owner	Registration Date	Expiry Date
1.	isimcere.com	Jiangsu Simcere	2008-08-12	2021-08-12
2.	simcere.com	Jiangsu Simcere	2016-09-09	2022-05-08
3.	bingli2019.com	Jiangsu Simcere	2018-12-28	2020-12-28
4.	simcere.tech	Jiangsu Simcere	2019-10-22	2029-10-23
5.	bcypso.com	BCY Pharm	2015-05-18	2021-05-18
6.	bcypharm.com	BCY Pharm	2016-11-17	2020-11-17

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) Disclosure of interest of Directors and chief executive of our Company

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were 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 to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interests in our Company

Name of Director/ Chief executive	**Nature of interest**	**Number of Shares/ underlying shares interested**	**Approximate percentage of shareholding immediately following the Global Offering (assuming the Over-allotment Option is not exercised)**
Mr. Ren[(1)]	Interest in controlled corporations/Interest of concert parties	2,035,922,965	78.13%
Mr. Zhao John Huan[(2)]	Interest in controlled corporations	114,986,405	4.41%

Notes:

(1) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Ren, together with other Ultimate Controlling Shareholders will collectively and indirectly hold 2,035,922,965 Shares, including (i) 606,810,031 Shares and 1,196,009,986 Shares directly held by Artking and SPHL, respectively, both of which are companies controlled by our Ultimate Controlling Shareholders; and (ii) 112,141,578 Shares and 120,961,370 Shares directly held by EGG and FFI, respectively, both of which are companies controlled by Mr. Ren. By virtue of the SFO, as our Ultimate Controlling Shareholders are deemed to be persons acting in concert under the Takeovers Code, each of them is deemed to be interested in the Shares held by each other.

(2) Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Premier Praise will directly hold 114,986,405 Shares. Premier Praise is held as to 82.22% by Hony Capital Fund V, L.P. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan and as to 51% by two other individuals who are Independent Third Parties, respectively. Therefore, Mr. Zhao John Huan is deemed to be interested in the Shares held by Premier Praise by virtue of the SFO.

(ii) Interests in our associated corporations

Name of Director/ Chief executive	Capacity/Nature of interest	Name of associated corporation	Approximate percentage of shareholding interest
Mr. Ren	Beneficial interest	Shanghai Xianbo	95%

(b) Disclosure of interest of substantial Shareholders of our Company

Save as disclosed in "Substantial Shareholders," our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

(c) Disclosure of interests of the substantial shareholders of any member of our Group (other than our Company)

So far as the Directors are aware, as of the Latest Practicable Date, the following person was interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us):

Name of shareholder	Name of member of our Group	Approximate percentage of shareholding
Mr. Wang Honglin	BCY Pharm	29.7%

2. Particulars of Directors' service contracts and letters of appointment

Each of Mr. Ren, Mr. Wan Yushan, Mr. Zhang Cheng and Mr. Tang Renhong, being our executive Directors, has entered into a service contract with our Company on October 8, 2020. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Zhao John Huan, being our non-executive Director and Mr. Song Ruilin, Mr. Wang Xinhua and Mr. Wang Jianguo, being our independent non-executive Directors, has entered into a letter of appointment with our Company on October 8, 2020. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

3. Directors' remuneration

The aggregate amounts of remuneration (including fees, salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) of our Directors recorded for the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020 were approximately RMB8.76 million, RMB2.57 million, RMB9.21 million and RMB10.81 million, respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Save as disclosed in this prospectus, no other payments have been made or are payable for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

It is estimated that remuneration equivalent to approximately RMB21.33 million in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2020, based on the arrangements currently in force.

4. Personal guarantees

Save as disclosed in this prospectus, our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted or to be granted to any member of our Group.

5. Agency fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the sub-section headed "– E. Other Information – 8. Consents of experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

6. Disclaimers

Save as disclosed herein:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning 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 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(b) none of our Directors or any of the experts referred to under "– E. Other Information – 7. Qualification of experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering, 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 SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. PRE-IPO SHARE INCENTIVE SCHEME

1. Background

On July 31, 2014, SPHL adopted a pre-IPO share incentive scheme (the "**Pre-IPO Share Incentive Scheme**"), with a view to recognizing the contributions of our employees and to incentivize them to further promote our development. For details of the background of the Pre-IPO Share Incentive Scheme, please see Note 32(a) in the Accountants' Report set out in Appendix I to this prospectus.

After granting of the restricted shares (the "**Awarded Shares**") under the Pre-IPO Share Incentive Scheme, the Awarded Shares owned by certain original Participants (as defined below) were transferred to the designees of the Administrator (as defined below) or acquired by Excel Management due to the resignation from office of these original Participants or for other reasons. As such, with a view to granting the Awarded Shares to the new Participants, SPHL amended the Pre-IPO Share Incentive Scheme and made such grant to the new Participants on October 1, 2019. On April 4, 2020, Excel Management allotted and issued an aggregate of 111,572,260 shares to Assure Good, Great Good, Next Good and Promise Good, being the holding vehicles for the participants of the Pre-IPO Share Incentive Scheme (the "**Offshore SPVs**"). On the same date, Estera Services (Bermuda) Limited, the trustee of the Excel Management Trust, transferred all the equity interest it held in Excel Management, being 100,000 shares, to Promise Good.

The Pre-IPO Share Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Incentive Scheme does not involve the grant of options by our Company to subscribe for new Shares.

2. Participants and eligibility

The participants of the Pre-IPO Share Incentive Scheme (the "**Participants**") are the members and candidates of our management team, core R&D personnel and personnel with outstanding contribution in project management and with other special contribution to our Group who are selected and approved by the board of directors of SPHL to receive the Awarded Shares.

3. Administration

The Pre-IPO Share Incentive Scheme is administered by the office of the board of directors of SPHL and the human resource department of our Group (the "**Administrator**") which are authorised by the board of directors of SPHL. The Administrator shall have the authority to:

(i) formulate the terms and conditions of the Awarded Shares granted;

(ii) be responsible for the performance appraisal of the Participants;

(iii) record the grant, transferring and redemption of the Awarded Shares in the management account;

(iv) maintain the records of the documents in relation to the Pre-IPO Share Incentive Scheme;

(v) report to the board of directors of SPHL in respect of the implementation of the Pre-IPO Share Incentive Scheme and grant of Awarded Shares thereunder; and

(vi) interpret or amend the terms and conditions of the Pre-IPO Share Incentive Scheme.

4. Grant price of the Awarded Shares

For details of the grant price for each Awarded Shares, please see Note 32(a) in the Accountants' Report set out in Appendix I to this prospectus.

5. Vesting Period

None of the Awarded Shares granted to the Participants shall be disposed within the vesting period (the "**Vesting Period**") during which the Participants shall serve for our Group on a continuing basis. Please see Note 32(a) in the Accountants' Report set out in Appendix I to this prospectus for further details.

6. Awarded Shares granted

As of the Latest Practicable Date, all of the Awarded Shares has been granted to 268 Participants, among which four are our Directors, and four are members of our senior management. The Awarded Shares granted under the Pre-IPO Share Incentive Scheme represent approximately 4.76% of the Company's issued share capital as of the Latest Practicable Date. The grant and vesting of the Awarded Shares granted pursuant to the Pre-IPO Share Incentive Scheme are in compliance with Rule 10.08 of the Listing Rules.

7. Restrictions on the Awarded Shares

If the Participants or the Offshore SPVs are subject to a lock-up period imposed by the relevant laws, regulations or rules, no Participants or the Offshore SPVs shall dispose the Awarded Shares and the Shares of our Company indirectly held through Excel Management and SPHL except as otherwise set forth in the Pre-IPO Share Incentive Scheme.

The board of directors of SPHL may cancel the eligibility of the Participants if such Participants have the following circumstances:

(i) the breach of any applicable laws, regulations and professional ethics, leakage of national or corporate secrets, corruption, theft, misappropriation, bribe-taking, bribe-giving, negligence of duty, in violation of public order, professional morals and ethics, cessation of employment due to the violation of any non-disclosure agreement and employment agreement causing severe damage to the Group's interests and reputation (irrespective of the expiration of the Vesting Period or the listing progress of the Company);

(ii) being dismissed by any company of our Group on the ground set out in the above paragraph (i) (irrespective of the expiration of the Vesting Period or the listing progress of the Company);

(iii) physical disability, death, resignation or dismissal within the Vesting Period.

After the expiration of Vesting Period, the Participants may dispose the Awarded Shares on the following procedures:

(i) if the Listing become unsuccessful or, after the Listing, the Shares held directly by the Excel Management or indirectly through SPHL are within the lock-up period imposed by relevant laws, regulations or rules, the Participants who wish to transfer the Awarded Shares ("**Transferor**") shall give a 30 day's prior notice to the Administrator. Subject to the approval of the Administrator, the transfer price will be determined based on arm's length negotiation with the Administrator.

(ii) if the lock-up period imposed by relevant laws, regulations or rules on the Shares held by the Excel Management expires, the Awarded Shares may be disposed in accordance with the procedures set forth in paragraph (i) above or in accordance with the relevant law, regulations or rules.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Morgan Stanley Asia Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Pursuant to Rule 3A.07 of the Listing Rules, China International Capital Corporation Hong Kong Securities Limited ("**CICC**") has declared that as regards their relationship with our Company, they are not or do not expect to be independent because CICC Cayman, an affiliate of CICC, together with Industrial Bank Co., Ltd. Hong Kong Branch, had entered into a US$110,000,000 term facility agreement dated 29 April 2019 with FFI and EGG, pursuant to which CICC Cayman's commitment was US$20,000,000. Please see "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization – Share Transfers of Our Shareholders – Share Transfer of Simcere Holding" for further details. In addition, China International Capital Corporation Limited, an affiliate of CICC, was also engaged by our Company in 2019 as the tutoring agency to provide guidance and preliminary compliance advice with regards to the requirements of CSRC and the relevant stock exchange. For further details, please refer to "History, Reorganization and Corporate Structure – PRC Listing Plan." After taking into account the aforementioned relationships, CICC considered that such relationships would be reasonably considered to affect their independence in performing their duties as set out in Chapter 3A of the Listing Rules, or might reasonably give rise to a perception that their independence would be so affected, pursuant to Rule 3A.07(1) of the Listing Rules. The sponsors fee payable to the Joint Sponsors by our Company is USD500,000 each.

4. Preliminary expenses

The preliminary expenses incurred by our Company in connection with the Listing amounts to approximately USD11,616.

5. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of holders of Shares

(a) Hong Kong

(i) Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

(ii) Stamp Duty

Dealing in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

(iii) Dividends

No tax is imposed in Hong Kong in respect of dividends our Company pays to the Shareholders. Dividends paid to the Shareholders are free of withholding taxes in Hong Kong.

(iv) Capital gains and profits tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by persons carrying on a business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax.

(b) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Morgan Stanley Asia Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Tian Yuan Law Firm	PRC legal advisors to our Company

Name	Qualifications
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

8. Consents of experts

Each of Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, KPMG, Tian Yuan Law Firm, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

(a) save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Company or any member of our Group had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any member of our Group;

(iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any member of our Group;

(b) save as disclosed in this prospectus, no share or loan capital of our Company or any member of our Group had been under option or agreed conditionally or unconditionally to be put under option;

(c) save as disclosed in this prospectus, there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any member of our Group;

(d) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(f) our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong;

(g) all necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(h) no company within our Group is listed on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and

(i) there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in "Appendix V – Statutory and General Information – Further Information about Our Business – Summary of material contracts;" and

(c) the written consents referred to in "Appendix V – Statutory and General Information – Other Information – Consents of experts."

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of William Ji & Co. LLP (in Association with Tian Yuan Law Firm Hong Kong Office) at Suite 702, 7/F, Two Chinachem Central, 26 Des Voeus Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information prepared by KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020;

(e) the letters relating to profit forecast of our Group for the year ending December 31, 2020 issued by KPMG and the Joint Sponsors, the text of which is set out in Appendix III to this prospectus;

(f) the legal opinions issued by Tian Yuan Law Firm, our PRC Legal Advisors, dated the date of this prospectus in respect of certain aspects of our Group;

(g) the opinion letter issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited regarding the fair rents and property management service fees for various properties leased from/to connected persons of the Company;

(h) the material contracts referred to in "Appendix V – Statutory and General Information – B. Further Information about Our Business – 1. Summary of material contracts;"

(i) the written consents referred to in "Appendix V – Statutory and General Information – E. Other Information – 8. Consents of experts;"

(j) service contracts and the letters of appointment referred to in "Appendix V – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Particulars of Directors' service contracts and letters of appointment;"

(k) the terms of the Pre-IPO Share Incentive Scheme; and

(l) the Frost & Sullivan Report.


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