基石药业
CSTONE
PHARMACEUTICALS

CStone Pharmaceuticals
基石藥業

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2616

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(In alphabetical order)

Goldman Sachs Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS CMS 招商證券國際

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

CStone Pharmaceuticals

基石藥業

(Incorporated in the Cayman Islands with limited liability)

Global Offering

Number of Offer Shares under the Global Offering	**:**	**186,396,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**18,640,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**167,756,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$12.80, plus brokerage fee 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)**
Nominal value	**:**	**US$0.0001 per Share**
Stock code	**:**	**2616**

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, February 19, 2019 (Hong Kong time) and, in any event, not later than Monday, February 25, 2019 (Hong Kong time). The Offer Price will not be more than HK$12.80 per Offer Share and is currently expected to be not less than HK$11.10 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$12.80 for each Hong Kong Offer Share together with a brokerage fee of 1%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$12.80 per Offer Share.

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

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

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

February 14, 2019

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.cstonepharma.com** and the Stock Exchange at **www.hkexnews.hk** under the *"HKExnews > Listed Company Information > Latest Listed Company Information"* section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, February 14, 2019 until 12:00 noon on Tuesday, February 19, 2019 at the following locations:

1. any of the following branches of the receiving bank of the Company:

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	188 Des Voeux Road Branch	Shop No. 7 on G/F Whole of 1/F – 3/F Golden Centre 188 Des Voeux Road Central Hong Kong
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion 38-40A Yee Wo Street Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F 617-623 Nathan Road Mongkok
	68 Nathan Road Branch	Basement, Shop B1 G/F and M/F Golden Crown Court 66-70 Nathan Road Tsimshatsui
New Territories	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F Man Cheong Building 239-247&247A Castle Peak Road Yuen Long

2. any of the following offices of the Hong Kong Underwriters:

Hong Kong Underwriters	Address
Goldman Sachs (Asia) L.L.C.	59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
UBS AG Hong Kong Branch	52/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every location where WHITE and YELLOW Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, February 14, 2019 until 12:00 noon on Tuesday, February 19, 2019 at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

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

	Date[note 1]
Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Thursday, February 14, 2019
Latest time for completing electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, February 19, 2019
Application lists open[3]	11:45 a.m. on Tuesday, February 19, 2019
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC	12:00 noon on Tuesday, February 19, 2019
Application lists close[3]	12:00 noon on Tuesday, February 19, 2019
Expected Price Determination Date	Tuesday, February 19, 2019
Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.cstonepharma.com** on or before	Monday, February 25, 2019
An announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (including the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.cstonepharma.com**) (see the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus) from	Monday, February 25, 2019

Results of allocations in 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 from . . . . . Monday, February 25, 2019

Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before[4] . . . . . Monday, February 25, 2019

WHITE Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessfully applications to be despatched on or before[4] . . . . . Monday, February 25, 2019

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on . . . . . Tuesday, February 26, 2019

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service 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 the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, February 19, 2019, the application lists will not open and close on that day. See the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Tuesday, February 26, 2019, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares," respectively.

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

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any 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 making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties 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 entire document before you decide to invest in the Offer Shares. ***In particular, we are a biopharmaceutical company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules.*** *There are unique challenges, risks and uncertainties associated with investing in companies such as ours. In addition, we have incurred significant operating losses since our inception, and we expect to remain loss making in the near term. We had negative net cash flow from operating activities for certain periods during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and do not intend to pay any dividends in the near future. Your investment decision should be made in light of these considerations.*

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.

BUSINESS OVERVIEW

We are a clinical-stage biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide. Founded in 2015, we have built a rich oncology pipeline with significant mono- and combination-therapy potential and synergies. Led by seasoned industry executives, we have established a robust business model designed to develop high quality, innovative drugs at high speed. At the same time, our dual sources of innovation, driven by internal research and external partnership, will provide the Company with a sustainable pipeline.

We have built an oncology-focused pipeline with a strategic emphasis on immuno-oncology (IO) combination therapies. With 14 assets, including our three IO backbone drug candidates (PD-L1, PD-1 and CTLA-4 antibodies) at clinical stage, we believe that our pipeline has both the scale and mix to enable a winning combination therapy strategy to develop one of the largest oncology combination therapy portfolios among all China-based biopharmaceutical companies. Our Core Product Candidate, a fully-human, full-length anti-PD-L1 monoclonal antibody that mirrors natural human antibody, has the unique potential to reduce immunogenicity and toxicity in patients. Our PD-1 antibody is cross-reactive to both human and mouse PD-1, which enables us to quickly assess combination therapies in pre-clinical animal studies and better predict the safety and efficacy profile in clinical trials. To complement our IO backbone drug candidates, we obtained exclusive licenses from Agios and Blueprint to develop and commercialize four molecularly targeted compounds in Greater China. All four compounds, ivosidenib (CS3010), avapritinib (CS3007), CS3008 (FGFR4 inhibitor) and CS3009 (RET inhibitor), have proof of concept for their lead indications based

on clinical data from the U.S. trials. We are currently leveraging this data to seek accelerated marketing authorization in China. Ivosidenib was approved by the U.S. FDA in July 2018 as the first treatment of IDH1m relapsed or refractory AML in its class globally. Avapritinib is also the first drug candidate in its class globally, and CS3008 and CS3009 each has the potential to be first-in-class globally.

Our business model is designed to accelerate the development of innovative drugs. We focus on clinical development, which has long been a bottleneck in the innovative drug development value chain in China, through both adaptive clinical trial design and clinical trial operational excellence. We exercise rigorous control and oversight over key functions of clinical trials while partnering with globally reputable CROs for trial execution. For instance, we implement periodic key performance evaluation and quality testing of our CROs to ensure safety, wellbeing of trial subjects, trial data integrity and regulatory compliance. We also assign internal staff to supervise our CROs on key milestone deliverables, such as patient eligibility review, medical data review and SAE review. We also employ in-house translational medicine research to aim to discover and validate predicative biomarkers, guide patient selection, monitor treatment response in clinical trials, and analyze clinical results to guide the preclinical discovery of drug resistance mechanisms. Since the Company's inception, we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor).

Leveraging our strong internal research capabilities, we continue to identify and develop new drug candidates to advance to clinical stage. Our experienced research team has internally advanced four candidates into clinical trials in over two years. Our translational research capabilities enable us to leverage proprietary algorithms for biomarker discovery and conduct big data analysis to identify novel therapeutic targets. We will continue to advance our five pre-clinical assets towards the IND stage and develop new internal assets through our in-house research capability and collaboration with top academic institutions and world-leading CROs.

We believe that we are an ideal gateway partner for global biopharmaceutical companies trying to access the Chinese market because of our management's local expertise and global vision and our strong clinical development capabilities. We have a successful track record of in-licensing products, including Agios's and Blueprint's key product and product candidates. We will continue to explore opportunities to collaborate with leading biopharmaceutical companies worldwide for in-licensing arrangements that complement our internal R&D and existing pipeline.

We have assembled a world-class management team comprised of seasoned industry executives with senior level experience at leading multinational pharmaceutical companies in China and around the globe. Our management team has driven significant clinical development success and collectively represents a full spectrum of complementary skillsets from pre-clinical research to clinical development and commercialization. With a proven record of success and deep oncology domain expertise, our high scientific caliber management is the key pillar of our Company positioned to lead us to achieve future success.

We received record-breaking amounts of equity investment from well-known investors, raising approximately US$150 million in Series A financing and approximately US$262 million in Series B financing. See "History, Development and Corporate Structure – Pre-IPO Investments" for further details. For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our research and development expenses were approximately RMB247.1 million, RMB213.4 million, RMB165.8 million and RMB699.3 million, respectively. As of the Latest Practicable Date, we filed two patent applications in China, and co-filed two patent applications under the Patent Cooperation Treaty, or PCT for material intellectual properties.

OUR DRUG CANDIDATES

We have a pipeline of 14 drug candidates that focus on oncology and range from pre-clinical stage to late-stage clinical programs. The following table summarizes our pipeline and the development status of each candidate as of the Latest Practicable Date:

	Drug candidate	Molecular Target/ Signaling Pathway	Lead indication(s) and line(s) of therapies[1]	Drug Candidate Category	Commercial rights	Partner	Pre-clinical	IND filing	Dose escalation Phase Ia	Dose expansion Phase Ib| Phase II[2]	Pivotal Phase II| Phase III	NDA
Clinical/IND	**ivosidenib (CS3010, AG-120)**	IDH1	R/R AML, 1L AML, 2L/3L Cholangiocarcinoma	Chemicals, 1 (MRCT for AGILE); Chemicals, 5.1 (IND for R/R AML)	Greater China	agios	China Status					★ U.S. FDA Approved (Agios)
	CS1001 (core product[3])	PD-L1	R/R cHL, R/R NKTL, NSCLC[7], Solid tumors[8]	Biologics, 1	Worldwide		China Status / Rest of the world status					
	avapritinib (CS3007, BLU-285)	KIT & PDGFRα	PDGFRα/ 2L / 3L GIST, AdvSM, ISM	Chemicals, 1	Greater China	blueprint	China Status				Pivotal Phase III trial in the U.S. ongoing (Blueprint)	
	CS3009 (BLU-667)	RET	1L / 2L NSCLC, 1L MTC[10]	Chemicals, 1	Greater China	blueprint	China Status	(4)			Phase Ib trial in the U.S. ongoing (Blueprint)	
	CS3008 (BLU-554)	FGFR4	1L / 2L HCC	Chemicals, 1	Greater China	blueprint	China Status	Phase Ib trial in the U.S. ongoing (Blueprint)				
	CS1002[5]	CTLA-4	Solid tumors[8]	Biologics, 2	Worldwide		China Status / Rest of the world status					
	CS1003[5]	PD-1	Solid tumors[8]	Biologics, 1	Worldwide		China Status / Rest of the world status					
	CS3006[5]	MEK	Solid tumors[8]	Chemicals, 1	Worldwide		China Status / Rest of the world status					
	CS3003	HDAC6	Solid tumors[8], R/R MM[9]	Chemicals, 1	Worldwide		China Status / Rest of the world status					
Pre-clinical	**CS3002**	CDK4/6	Solid tumors[8]	Chemicals, 1	Worldwide							
	CS3004[6]	Undisclosed			Worldwide							
	CS1009[6]				Worldwide							
	CS3005[6]				Worldwide							
	CS2004[6]				Worldwide							

Abbreviations: AML= acute myeloid leukemia, AdvSM= advanced systemic mastocytosis, cHL= classical Hodgkin's lymphoma, GIST= gastrointestinal stromal tumor, HCC= hepatocellular carcinoma, ISM= indolent systemic mastocytosis, NKTL= natural killer/T cell lymphoma, NSCLC= non-small cell lung cancer, MTC= medullary thyroid cancer, R/R= relapsed or refractory, SM= systemic mastocytosis, MM= multiple myeloma.

(1) According to Frost & Sullivan, NSCLC and HCC are considered common indications that each had more than 100,000 incidences in China in 2017, and AML, cholangiocarcinoma, cHL, NKTL, GIST, SM, MM and MTC are considered rare indications that each had less than 100,000 incidences in China in 2017.

(2) Some indication(s) may not require a non-pivotal Phase II clinical trial prior to beginning pivotal Phase II or III clinical trials.

(3) Denotes our Core Product Candidate, CS1001.

(4) Denotes upon IND approval by the NMPA, we may skip non-pivotal clinical trials and initiate pivotal trials of the product candidate in China by leveraging foreign data from clinical trials by our partner.

(5) Denotes we currently have clinical trials ongoing in Australia for the product candidate.

(6) Denotes due to commercial sensitivity we do not disclose additional details for this oncology-related drug candidate.

(7) Line of therapies include 1L Stage IV NSCLC and consolidation therapy after chemoradiotherapy for Stage III NSCLC.

(8) Phase Ia study is designed to evaluate the clinical safety, tolerability, PK and PD among patients with various types of solid tumors. Because there are no clinical efficacy data on the drug candidate, no specific types of solid tumors are established as lead indications at this stage.

(9) Available clinical data from other HDAC6 inhibitor studies provides the basis to suggest that CS3003 may be effective in treating MM; we plan to assess the clinical efficacy of CS3003 in MM and various types of solid tumor patients in the Phase Ib dose expansion trial.

(10) The clinical data published so far by Blueprint demonstrated that BLU-667 (CS3009) is effective in the treatment of certain NSCLC and MTC patients.

Clinical or IND Stage Drug Candidates

- **Ivosidenib (CS3010, AG-120)** is an investigational first-in-class, orally available, selective, potent inhibitor of the mutated isocitrate dehydrogenase-1 (IDH1) enzyme for the treatment of cancers that harbor a susceptible IDH1 mutation including AML, cholangiocarcinoma and glioma. We obtained an exclusive license from Agios for the development and commercialization of ivosidenib in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. Ivosidenib was approved by the U.S. FDA in July 2018 for the treatment of patients with relapsed or refractory AML (R/R AML) and a susceptible IDH1 mutation detected by a U.S. FDA approved companion diagnostic test. It is the first IDH1m inhibitor on the global market. In collaboration with Agios, we plan to discuss with the NMPA to conduct a bridging trial for IDH1m R/R AML in China to leverage the U.S. FDA data from Agios to support NDA submission in China. Agios is currently evaluating ivosidenib for the first-line treatment of IDH1m AML: (i) a Phase III trial investigating ivosidenib in combination with azacitidine (AGILE trial) and (ii) a Phase III trial investigating ivosidenib or enasidenib in combination with 7+3 chemo regimen (HOVON trial). Subject to CTA approval from the NMPA, we plan to join both global trials and lead the China part of the studies and use data from the global trials to support NDA submissions in China. We expect that the China portion of AGILE trial will be initiated in the first half of 2019 and the China portion of HOVON trial will be initiated in the second half of 2019. The CTA application for AGILE trial was submitted to the NMPA in May 2018 by Agios's agent PPD and the approval was received in August 2018. We also plan to design a China bridging study of ivosidenib as a monotherapy in second line and third line treatment for IDH1m cholangiocarcinoma to support NDA submission. In addition, we plan to explore the combination of ivosidenib with CS1001 or CS1003 in indications such as cholangiocarcinoma.

- **CS1001 (PD-L1 antibody)**, our Core Product Candidate, is a full-length, fully-human IgG4 monoclonal antibody against programmed death ligand-1 (PD-L1) with potentially differentiated safety and efficacy profile. Preliminary safety and efficacy data from our ongoing Phase I trial demonstrated that CS1001 was generally well tolerated and efficacious in a variety of cancer types. We are strategically developing CS1001 for two small indications, cHL and NKTL currently in pivotal Phase II trials, which accounted for 0.13% (5.8 thousand patients) and 0.23% (9.8 thousand patients) of the total cancer incidence in China in 2018, respectively. Even though many of our competitors are targeting cancer types with larger patient population, we believe our approach may lead to faster registration and market entrance due to the small patient sample sizes for cHL and NKTL trials and NMPA's tendency to grant priority reviews for diseases that are

relatively rare. If the data from these trials are positive, we expect to make the NDA submission for cHL in the first half of 2020 and the NDA submission for NKTL in the first half of 2020. We are pursuing several large indications in China and have initiated a Phase III trial of CS1001 in patients with Stage III NSCLC as a monotherapy and a Phase III trial in combination with standard-of-care therapies for the treatment of patients with Stage IV NSCLC. We also plan to initiate Phase III trials in combination with standard-of-care therapies in China for the treatment of patients with gastric cancer in the first half of 2019 and HCC in the first half of 2019, for both of which IND approval has been obtained. According to the Frost & Sullivan Report, the total incidence of these large indications in China amounted to 1.2 million in 2017. We believe that CS1001 will be among the first wave of PD-L1 antibodies approved in China for these large indications. As of the Latest Practicable Date, no PD-L1 antibodies have received marketing approval from the NMPA.

To further capture the market potential of CS1001, we plan to conduct (i) a Phase I trial of CS1001 in combination with CS3008 (FGFR4 inhibitor) for the treatment of patients with HCC in China in the second half of 2019; (ii) a Phase Ib trial of CS1001 in combination with a PARP inhibitor for the treatment of patients with solid tumors in China in the first half of 2019; (iii) a Phase I trial of CS1001 in combination with CS3002 (CDK4/6 inhibitor) for the treatment of patients with solid tumors or multiple myeloma in China and Australia in the second half of 2019; and (iv) a Phase I trial of CS1001 in combination with CS3003 (HDAC6 inhibitor) for the treatment of patients with solid tumors or multiple myeloma in China and Australia in the second half of 2019, in each case subject to IND approval from the NMPA and the TGA. We are also considering evaluating CS1001 in combination with ivosidenib in indications such as cholangiocarcinoma, with CS3009 (RET inhibitor) in indications such as NSCLC, and with avapritinib (CS3007) in indications such as GIST in each case subject to IND approval from the NMPA. In addition to China, we have obtained IND clearance from the U.S. FDA in September 2018 and dosed the first patient in December 2018.

We have consulted with the NMPA and after reviewing the relevant Phase Ia data, the NMPA confirmed no objection for the initiation of a Phase II trial of CS1001 as a monotherapy for the treatment of cHL and Natural killer/T cell lymphoma (NKTL) and a Phase III clinical trial of CS1001 as a monotherapy for the treatment of Stage III NSCLC.

Pre-clinical Research

From February 2016 and before we obtained IND approvals for CS1001 (PD-L1 antibody) in China in June 2017 and the U.S. in September 2018, our senior management led an internal team with experience in pharmacology, toxicology and cancer biology, and worked with industry-leading CROs to conduct the following pre-clinical research and regulatory work for CS1001 (PD-L1 antibody): (1) design and assessment of efficacy in mouse tumor models, (2) dose selection, (3) toxicity testing, (4) PK and PD studies, (5) CMC development, (6) preparation and modification of IND package, (7) onsite inspection, (8) registration sample submission, and (9) pre-CTA meeting preparation and participation.

We have continued preclinical research of CS1001 (PD-L1 antibody) to further the following objectives (1) better understand the pharmaceutical properties of the antibody including pharmacokinetics, pharmacodynamics and receptor occupancy under different dosing strategies, (2) evaluate CS1001 combination potential with other drug candidates from our pipeline such as, our CDK4/6, HDAC6, and FGFR4 inhibitors (CS3002, CS3003, and CS3008 (BLU-554), respectively), or compounds from external partners, (3) to determine the crystal structure to better understand the mode of interaction with PD-L1, and (4) to better understand the mechanism of action, such as the effects of CS1001 on macrophages.

Clinical Research

Since obtaining the IND approval from the NMPA in June 2017, our senior management has led an internal team with extensive clinical development experience and worked with industry-leading CROs to carry out the following activities for the ongoing and planned clinical trials of CS1001 (PD-L1 antibody): (1) clinical development plan formulation by taking into consideration both the scientific rationale (e.g., mechanism of action, pre-clinical data, available clinical data, and research opportunity assessment) and market value assessment (e.g., addressable patient population evaluation, market access analysis, and competitive landscape consideration), (2) design of trial proposal and investigator protocol, including study objectives and endpoints, study population (sample size and inclusion/exclusion criteria), study duration, randomization schedule, adverse events and serious adverse events, quality control and quality assurance, and data management, (3) trial preparation, including site selection and laboratory visits, (4) patient recruitment, including carrying out patient evaluation based on study design and obtaining subject information consent, (5) patient dosing, such as carrying out daily measurements and monitoring for adverse events through certain CROs, and (6) outcome measurements, including efficacy and safety endpoint data assessment. Our internal clinical development team has performed core functions such as designing clinical development strategy and protocol in-house and exercising control and oversight over key components of clinical trial management, including data source validation. With close supervision and control, we have worked with leading CROs on day-to-day clinical activities to ensure effective and seamless execution to allow flexibility to scale up and achieve operating efficiency. CS1001's clinical development programs are led by two program leaders with extensive clinical development experience and knowledge who formulate a clinical development plan, design the trial protocol, oversee the trial execution and prepare the NDA filing, all with support from the other experienced team members.

The chart below shows the indications for which we are currently evaluating CS1001 (PD-L1 antibody) in clinical trials:

Indication	Mono-/Combo-Therapy	Status	Location	Study sample size	Expected trial initiation date	Expected trial completion date[2]	Expected NDA submission date	Competent authority	NCT number
Solid tumors	Combo (with a PARP inhibitor)[1]	Ib	China	*	1H2019	*	*	CDE/NMPA	*
Solid tumors and lymphoma	Mono	Ib	China	300	Oct., 2017	2020	*	CDE/NMPA	NCT03312842
HCC	Combo (with CS3008)	I	China	*	2H2019	*	*	CDE/NMPA	*
Solid tumors/ multiple myeloma	Combo (with CS3003)	I	Australia and China	*	2H2019	*	*	TGA and CDE/NMPA	*
Solid tumors	Combo (with CS3002)	I	Australia and China	*	2H2019	*	*	TGA and CDE/NMPA	*
Solid tumors	Mono	I	U.S.	16	Dec., 2018	2019	*	U.S. FDA	NCT03744403
cHL	Mono	II	China	80	Jun., 2018	2019	1H2020	CDE/NMPA	NCT03505996
NKTL	Mono	II	China	80	Jun., 2018	2019	1H2020	CDE/NMPA	NCT03595657
Gastric cancer	Combo (with standard of care)	III	China	*	1H2019	2021	*	CDE/NMPA	*
HCC	Combo (with standard of care)	III	China	*	1H2019	*	*	CDE/NMPA	*
Stage III NSCLC	Mono	III	China	402	Oct., 2018	2020	*	CDE/NMPA	NCT03728556
Stage IV NSCLC	Combo (with standard of care)	III	China	480	Dec., 2018	2020	*	CDE/NMPA	NCT03789604

Abbreviations: cHL = Classical Hodgkin's lymphoma, NKTL = Natural Killer/T cell lymphoma, NSCLC = Non-small cell lung cancer, HCC = Hepatocellular carcinoma, PARP = Poly (ADP-ribose) polymerase.

* = Still in planning phase

Notes:

(1) PARP inhibitor is a product being developed by an independent third party partner and is currently not commercially available.

(2) Denotes the date on which the last patient is enrolled.

The chart below shows our clinical work stream activities and objectives of ongoing trials of CS1001 (PD-L1 antibody):

Indication	Mono-/Combo-Therapy	Status	Activities	Primary objective(s)/endpoint(s)	Secondary objectives/endpoints	Expected Duration
Solid tumors and lymphoma[1]	Mono	I	Phase Ia completed; Phase Ib ongoing (patient enrollment, efficacy and safety assessments)	Phase Ia: To determine the safety, tolerability, and MTD/TP2D of CS1001; Phase Ib: To assess preliminary antitumor activity of CS1001	To characterize the pharmacokinetic (PK) profile, evaluate preliminary anti-tumor activity and assess the immunogenicity of CS1001	Approximately 3 years
Solid tumors[2]	Mono	I		To assess the safety and tolerability of CS1001. To determine the Recommended Phase II Dose (RP2D) of CS1001	To characterize the PK profile, evaluate preliminary anti-tumor activity and assess the immunogenicity of CS1001	Approximately 1 year

Indication	Mono-/Combo-Therapy	Status	Activities	Primary objective(s)/endpoint(s)	Secondary objectives/endpoints	Expected Duration
cHL[3]	Mono	II	Patient enrollment, efficacy and safety assessments	ORR assessed by independent radiological review committee (IRRC), defined as proportion of subjects who achieve CR or PR as the best response	ORR assessed by investigators, CR rate and PR rate assessed by IRRC and investigator, time to response (TTR), duration of response (DoR), 6-month progression-free survival (PFS) rate; frequency and severity of AE, frequency of SAE, PK profile as measured by serum concentrations, rate of anti-drug antibody (ADA) occurrence	Approximately 1.5 years
NKTL[4]	Mono	II	Patient enrollment, efficacy and safety assessments	ORR assessed by IRRC	ORR assessed by investigators, CR rate and PR rate assessed by IRRC and investigator, TTR, DoR, 6-month PFS rate; frequency and severity of AE, frequency of SAE, PK profile as measured by serum concentrations, rate of ADA occurrence	Approximately 1.5 years
Stage III NSCLC[5]	Mono	III	Site initiation, patient enrollment, efficacy and safety assessments	PFS assessed by investigators according to RECIST v1.1	Overall survival (OS), PFS assessed by blinded independent central review (BICR) according to RECIST 1.1, ORR by investigator and BICR, DoR by investigator and BICR, time to distant metastasis (TTDM) by investigator and BICR; the above efficacy endpoints in the subgroup of tumor mutation burden (TMB)>=10; safety and tolerability; PK and ADA	Approximately 2 years
Stage IV NSCLC[6]	Combo (with standard of care)	III	Site initiation, patient enrollment, efficacy and safety assessments	PFS assessed by investigators according to RECIST v1.1 in patients with PD-L1>=1% and in all patients	OS, PFS assessed by BICR according to RECIST v1.1, ORR and DoR assessed by investigators according to RECIST v1.1; safety and tolerability; PK and ADA; investigator-assessed ORR, DoR, PFS, and OS in crossed-over patients after disease progression	Approximately 1.8 years

(1) multi-center, single-arm trial

(2) multi-center, single-arm trial

(3) multi-center, single-arm trial

(4) multi-center, single-arm trial

(5) multi-center, double-blind, randomized, placebo-controlled trial

(6) multi-center, double-blind, randomized, placebo-controlled trial

- **Avapritinib (CS3007, BLU-285)** is an orally available, potent and highly selective inhibitor that targets mutant homologous kinases KIT and PDGFRα for the treatment of cancers, including gastrointestinal stromal tumors (GIST) and systemic mastocytosis (SM). We obtained an exclusive license from Blueprint for the development and commercialization of avapritinib (CS3007) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. As a first-in-class, post-proof of concept inhibitor, avapritinib (CS3007) received Breakthrough Therapy Designation from the U.S. FDA for the treatment of patients with unresectable or metastatic GIST harboring the PDGFRα D842V mutation in June 2017. Avapritinib (CS3007) is currently being evaluated by Blueprint in the dose expansion portion of a Phase I clinical trial in patients with advanced GIST. Based on the current data, we believe avapritinib (CS3007) has potential to be an effective treatment for certain GIST patients. We plan to conduct a bridging trial in China for advanced GIST patients in the first half of 2019 after IND approval, for which we may be able to leverage the data that will be submitted to the U.S. FDA by Blueprint to support NDA submission in China. Subject to CTA approval from the NMPA, we expect to conduct the China portions of two global Phase III trials of avapritinib (CS3007) for GIST initiated by Blueprint and such trials will serve as global pivotal trials for third-line and second-line treatment of GIST. We also plan to communicate with the NMPA on a potential trial waiver of avapritinib (CS3007) for the treatment of advanced SM using foreign data from the PATHFINDER study. Since the patient population for advanced SM is relatively small and under urgent medical need, it may increase the possibility of a trial waiver. The expected timeframe of the trial waiver, however, depends on Blueprint's trial timing and there is no guarantee that the trial waiver would be granted. Additionally, we could potentially join the global pivotal study of avapritinib (CS3007) as a monotherapy for indolent SM initiated by Blueprint.

- **CS3009 (BLU-667)** is an orally available, potent and highly selective inhibitor designed to target RET fusions and mutations for the treatment of cancers, including NSCLC and medullary thyroid carcinoma (MTC). We obtained an exclusive license from Blueprint for the development and commercialization of CS3009 (RET inhibitor) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. CS3009 is currently being evaluated by Blueprint in the dose expansion portion of a Phase I clinical trial in patients with RET-fusion NSCLC, MTC and other advanced solid tumors. The clinical trial data showed that CS3009 was generally well tolerated and has demonstrated high response rate and durable clinical benefit in RET-fusion NSCLC, MTC. We plan to join the dose expansion portion of a global Phase I study of CS3009 in patients with RET-fusion NSCLC, MTC to generate PK, safety and efficacy data for NDA submission in China. We have submitted CTA application for RET-fusion NSCLC, MTC to the NMPA in December 2018. We are considering joining two global studies of CS3009 at different line treatment settings for RET-fusion NSCLC, MTC, respectively, to generate data for NDA submission in China. We may also explore the possibility of CS3009 in combination with CS1001 (PD-L1 antibody) or CS1003 (PD-1 antibody) in indications such as NSCLC.

- **CS3008 (BLU-554)** is an orally available, potent, highly selective and irreversible inhibitor of the kinase fibroblast growth factor receptor 4 (FGFR4) for the treatment of hepatocellular carcinoma (HCC). We obtained an exclusive license from Blueprint for the development and commercialization of CS3008 (FGFR4 inhibitor) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. CS3008 is currently being evaluated by Blueprint in the dose expansion portion of a global Phase I clinical trial in patients with TKI naive HCC. We have evaluated the preliminary data of the trial and believe that CS3008 is a potentially effective drug for the treatment of certain HCC patients. We received CTA approval of CS3008 from the NMPA in January 2019 and will join the dose expansion portion of the global Phase I trial. We also consider joining a planned pivotal global trial for the same indication, if the data from this Phase I clinical trial are positive. In addition, we plan to initiate a Phase I trial of CS3008 in combination with CS1001 in patients with HCC in China in the second half of 2019. If the data from this trial are positive, we plan to conduct a Phase III clinical trial in patients with HCC in 2021.

- **CS1002 (CTLA-4 antibody)** is a fully-human monoclonal antibody against CTLA-4 that is in clinical trials for multiple indications. CS1002 has the same amino acid sequence as ipilimumab (sold under the trade name Yervoy®). Ipilimumab has not been approved for marketing in China and we plan to develop CS1002 under the novel drug pathway (biologics category 2) according to the NMPA regulations. Pre-clinical tests have shown that CS1002 has high affinity to CTLA-4 and it is expected to match the clinical activity and safety profile of Yervoy®. CTLA-4 antibodies have shown potential as components of combination therapies in globally approved indications such as renal cell carcinoma. We have initiated the dose escalation part of a Phase I trial of CS1002 as a single agent in patients with advanced solid tumors in Australia and plan to initiate the dose escalation part of the Phase I clinical trial of CS1002 in combination with CS1003 for the treatment of patients with solid tumors in Australia in the second half of 2019 subject to IND approval from the TGA. We have received IND approval for CS1002 from the NMPA in August 2018 and plan to initiate a Phase I trial of CS1002 in China for patients with solid tumors in 2019.

- **CS1003 (PD-1 antibody)** is a humanized IgG4 monoclonal antibody against programmed death receptor 1 (PD-1). It is cross-reactive to both human and mouse PD-1, which enables us to quickly assess combination therapies in pre-clinical animal studies and better predict the safety and efficacy profile in clinical trials. We are developing CS1003 as a monotherapy for rare and sensitive tumor types such as PMBCL and MSI-H, to enter market quickly and plan to evaluate the combination of CS1003 with various therapeutics, such as checkpoint inhibitor CS1002, target therapy CS3006, and other internal/external drugs, in the indications of interest. We have initiated the dose escalation part of a Phase I trial of CS1003 as a monotherapy in patients with advanced solid tumors in Australia and we have received IND clearance from the U.S. FDA in October 2018 to expand this trial to the United States. We have received IND approval for CS1003 from the NMPA in June 2018 and have initiated a bridging Phase I trial in patients with advanced tumors in China. We also plan to conduct (i) a Phase I trial of CS1003 in combination with CS1002 for the treatment of patients with solid tumors in Australia in the second half of 2019 and (ii) a Phase I trial of CS1003 in combination with CS3006 for the treatment of patients with solid tumors in China and Australia in the second half of 2019, in each case subject to IND approval.

- **CS3006 (MEK inhibitor)** is an orally available, small molecule inhibitor of mitogen-activated extracellular signal regulated kinases 1 and 2 (MEK1 and MEK2), which are important components of the kinase cascade in the mitogen activated protein kinase (MAPK) pathway that is frequently mutated in patients with malignant tumors. We have initiated the dose escalation portion of a Phase I trial of CS3006 as a monotherapy in patients with advanced solid tumors in Australia. We have received IND approval for CS3006 from the NMPA in July 2018 and we have initiated a Phase I clinical trial of CS3006 as a single agent for advanced solid tumors in China and enrolled the first patient in October 2018. If the data from these Phase I trials are positive, we plan to conduct a Phase I trial of CS3006 in combination with CS1003 (PD-1 antibody) for the treatment of patients with solid tumors in China and Australia in the second half of 2019, in each case subject to IND approval from the NMPA and TGA.

- **CS3003 (HDAC6 inhibitor)** is a small molecule inhibitor selectively targeting on histone deacetylases 6 (HDAC6). Selective inhibition of HDAC6 may lead to better efficacy in multiple myeloma with an improved safety profile. We believe that CS3003 has the potential to be a first-in-class HDAC6 specific inhibitor globally based on the current pre-clinical data. CS3003 also has the potential to combine with a PD-(L)1 antibody to expand the clinical efficacy of immune checkpoint inhibitors. Subject to IND approval from the NMPA and TGA, we plan to conduct a Phase I trial of CS3003 for the treatment of patients with solid tumors or multiple myeloma as a monotherapy and in combination with CS1001 (PD-L1 antibody) in China and Australia in the second half of 2019. We have submitted IND/CTA applications of CS3003 in China and Australia, respectively, in December 2018.

Selected Pre-clinical Drug Candidate

- **CS3002 (CDK4/6 inhibitor)** is a small molecule inhibitor targeting on cyclin-dependent kinase 4 and 6 (CDK4/6). CDK4/6 inhibition prevents G1-S phase transition and induces cell-cycle arrest of tumor cells and small molecule inhibitors of CDK4/6 have become standard treatment for certain solid tumors. Subject to IND approval from the NMPA and TGA, we plan to conduct a Phase I trial of CS3002 for the treatment of patients with solid tumors as a monotherapy and in combination with CS1001 (PD-L1 antibody) in Australia and China in the second half of 2019.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success:

- Rich and well-designed oncology-focused pipeline with a strategic emphasis on IO combination therapy

- First-in-class molecularly targeted agents with proof of concept

- Early-stage pipeline focused on monotherapy and combination therapy with our IO backbone

- Robust clinical development program
- Dual sourcing of innovation through internal development and external partnership
- Distinguished world-class management team with broad experience in drug discovery, development and commercialization

OUR STRATEGIES

Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide. To achieve this vision, we plan to pursue the following strategies:

- Rapidly advance late-stage drug assets towards commercialization
- Advance other clinical or IND stage candidates through development stages
- Continue to strengthen our combination therapy strategy for China and globally by leveraging our pipeline scale and mix
- Strengthen R&D capabilities and build a world-class innovative oncology pipeline
- Pursue hybrid manufacturing strategy for both small molecules and biologics
- Build commercial capabilities in China in anticipation of product launches

RESEARCH AND DEVELOPMENT

We focus on the research and development of innovative immune-oncology and molecularly targeted drugs for the treatment of cancer. Our drug discovery and pre-clinical research team conducts drug discovery, formulation development, process development and pre-clinical research of new drug candidates. Since our inception, we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor). Our research team will continue to advance the five pre-clinical drug candidates in our pipeline towards IND. We plan to submit one new IND for CS3002 in 2019.

We believe clinical development capabilities are critical to success in our industry. We have built internal clinical development capabilities, which we believe provide a competitive advantage over our peers in China. As of the Latest Practicable Date, we had 91 clinical development staff in China, most of whom have clinical development experience in multinational companies. Our current clinical development activities mainly relate to the clinical advancement of our nine clinical and IND stage drug candidates. During the last two years, we have initiated eleven clinical trials, including four pivotal trials for our Core Product Candidate, CS1001 (PD-L1 antibody). By the end of 2019, we expect to have approximately 28 ongoing and/or completed trials in China and globally, including approximately 12 combination therapy trials with chemotherapies, molecularly targeted therapies and IO agents.

COLLABORATION, LICENSING AND CRO AGREEMENTS

WuXi Biologics Agreements

We have two main agreements with WuXi Biologics: (i) the WuXi Biologics Contract (as defined below), which is a CRO and license agreement; and (ii) the WuXi Ex-China Agreement (as defined below), which is a license agreement for CS1001 (PD-L1 antibody) in the ex-China Territory (as defined below). Due to commercial reasons and our initial strategic focus in Mainland China, we entered into separate agreements with WuXi Biologics regarding CS1001 (PD-L1 antibody). With respect to CS1001 (PD-L1 antibody), the WuXi Biologics Contract governs its rights in Mainland China, Hong Kong SAR, Macau SAR and Taiwan while the WuXi Ex-China Agreement governs its rights in the ex-China Territory.

WuXi Biologics Contract

We entered into a CRO and license contract with WuXi Biologics in February 2016 concerning drug discovery and pre-clinical development services for 13 biologic drug candidates (the "**WuXi Biologics Contract**"). Pursuant to the WuXi Biologics Contract, WuXi Biologics will transfer worldwide rights of the 13 drug candidates to us after we fulfill our payment obligation under the contract, except for PD-L1 and CTLA-4 antibodies and Factor VIII, a biosimilar drug candidate. We terminated the development of Factor VIII in November 2018. We are still pursuing PD-L1 (CS1001), CTLA-4 (CS1002) and PD-1 (CS1003) inhibitors and a pre-clinical drug candidate under the WuXi Biologics Contract. Below is a summary of the status of the patent rights relating to the drug candidates we are still pursuing under the WuXi Biologics Contract:

- PD-L1 antibody (CS1001):
  - WuXi Biologics transferred its rights to the relevant patents to be issued in the future in Mainland China, Hong Kong SAR, Macau SAR and Taiwan to us in March 2017; and
  - we obtained an exclusive license under the WuXi Ex-China Agreement to develop, manufacture and commercialize CS1001 outside of Mainland China, Hong Kong SAR, Macau SAR and Taiwan (the "**ex-China Territory**").

- CTLA-4 antibody (CS1002):
  - There is currently no issued patents or pending patent applications relating to the CTLA-4 antibody, which has the same amino acid sequence as ipilimumab (Yervoy®), the CTLA-4 antibody approved by the U.S. FDA.
- PD-1 antibody (CS1003):
  - WuXi Biologics transferred its rights to the relevant patents to be issued in the future in Mainland China, Hong Kong SAR, Macau SAR and Taiwan to us in August 2017; and
  - the worldwide rights in the ex-China Territory has not reached the development stage for transfer.
- The pre-clinical stage drug candidate:
  - Once development has reached the stage for transfer, WuXi Biologics will transfer the patents or patent applications to us, both in Mainland China, Hong Kong SAR, Macau SAR and Taiwan and in the ex-China Territory.

We are required to pay a non-refundable milestone fee of US$10.65 million upon signing of the WuXi Biologics Contract, and single digit of the global net sales revenue as royalties for at least 10 years, if any of the 13 biologic products is commercialized. We are also entitled to the technical know-how generated under the WuXi Biologics Contract.

Unless terminated earlier, the WuXi Biologics Contract will expire when all obligations are fully performed pursuant to its terms. Unilateral termination by either party is permitted upon three months' notice or a material breach by the other party, including material violation of the United States Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, or other anti-corruption laws and regulations. When terminated upon three months' notice or a material breach by us, we are obligated to pay WuXi Biologics R&D expenses incurred by WuXi Biologics as of the date of termination. When terminated upon a material breach by WuXi Biologics, WuXi Biologics is obligated to return to us any prepaid R&D expenses relating to projects that have not been completed as of the date of termination. When terminated upon a material breach by either party, the non-breaching party may seek damages from the breaching party.

WuXi Ex-China Agreement

On February 27, 2018, we entered into an exclusive license agreement (the "**WuXi Ex-China Agreement**") with WuXi Biologics relating to CS1001 (PD-L1 antibody) (the "**Compound**"), pursuant to which we obtained the exclusive, sub-licensable, nontransferable license to commercialize, develop (including the rights to determine and perform R&D and clinical trials) and manufacture the Compound and any products containing the Compound (the "**Products**") in the ex-China Territory, either as a monotherapy or in combination with other therapies.

Under the terms of the WuXi Ex-China Agreement, we agreed to share equally WuXi Biologics's liability for certain royalty and milestone payment obligations to a third party joint applicant (the "**Joint Applicant**") to the PCT application that claims CS1001, as set forth in a certain collaboration agreement between the Joint Applicant and WuXi Biologics. We are also required to share with WuXi Biologics our profits in the ex-China Territory as calculated by deducting costs from our sales revenues and any other direct economic benefits (including any up-front, milestone and royalty payments from any third-party sub-licensees) earned in respect of the Compound and Products in the ex-China Territory. Costs include the royalty and milestone payments to the Joint Applicant, clinical development costs, regulatory filing costs and sales and marketing costs in the ex-China Territory and any other costs as agreed upon between us and WuXi Biologics. We are obligated to share with WuXi Biologics specific tiered percentages of our profits in the ex-China Territory which decreases with the advancement of the drug development stage. The highest percentage of profits is shared at the stage of pre-clinical studies, after which the percentage of profits shared decreases as the drug development enters Phase I/II trial stage, pivotal trial stage, regulatory filing stage, and subsequently marketing and sales stage. Prior to the marketing and sales stage, our profits in the ex-China Territory, if any, are expected to primarily include upfront, milestone and royalty payments from a third party should we elect to sub-license the Compound to such third party in a jurisdiction within the ex-China Territory. Upon the marketing and sales launch of the Products, 40% of the profits will by shared. Such profit sharing will cease upon the expiration of the relevant patent. This is only applicable to profits generated in the ex-China Territory and thus excludes our profits generated in Mainland China, Hong Kong SAR, Macau SAR and Taiwan. We are not required to pay any upfront fee or royalty payment under the WuXi Ex-China Agreement.

Unless earlier terminated, the WuXi Ex-China Agreement will expire on the later of (i) the date on which there is no valid claim of a patent filed and/or obtained based on the PCT application covering the Compound or Products in the ex-China Territory, or (ii) if any patent applications filed on the foregoing basis are pending, the date on which such patent applications receive formal final rejection from the relevant governmental authority.

Agios Agreement

On June 25, 2018, we entered into an exclusive license agreement (the "**Agios Agreement**") with Agios concerning the commercialization of products containing Agios's proprietary ivosidenib in the forms clinically developed by Agios (the "**Licensed Products**"), in Mainland China, Hong Kong SAR, Macau SAR and Taiwan (collectively, the "**Territory**"), either as a monotherapy or in combination with other therapies. Agios granted us (i) an exclusive license to commercialize the Licensed Products, (ii) a co-exclusive license with Agios or any third party sublicensed by Agios to develop the Licensed Products solely for the purpose of commercializing ivosidenib, and (iii) a nonexclusive license to manufacture finished ivosidenib products under the technology of Agios from materials supplied by Agios, its affiliates or its licensees, in each case in the Territory. Under the terms of the Agios Agreement, Agios received an upfront payment of US$12 million (RMB79 million) from us and will be eligible to receive up to US$407 million in development, regulatory and

commercial milestone payments. The parties may agree to additional indications during the terms, for which US$5 million in milestone payments would be payable for each and every regulatory approval in China of an additional indication. Approximately 50% of the development milestone payments are related to the development and commercialization of the Licensed Products in AML and CCA. The remaining fees are payable only if development and commercialization of the Licensed Products in brain cancer indications, including glioma, are pursued at Agios's discretion as part of the collaboration at a later date. In addition, we will pay Agios tiered royalties ranging from the mid to high teens as a percentage of annual net sales of the Licensed Products in the Territory. Unless terminated earlier, the Agios Agreement will expire upon the expiration of the royalty term for the last Licensed Product within the scope of the Agios Agreement.

Blueprint Agreement

On June 1, 2018, we entered into an exclusive license and collaboration agreement (the "**Blueprint Agreement**") with Blueprint concerning the development and commercialization of avapritinib, CS3008 (BLU-554) and CS3009 (BLU-667) (collectively, the "**Blueprint Licensed Products**") in the Territory, either as a monotherapy or in combination with other therapies. Blueprint will retain all rights to the Blueprint Licensed Products in the rest of the world. Subject to the terms of the Blueprint Agreement, Blueprint received an upfront cash payment of US$40 million (RMB257 million) from us and will be eligible to receive up to approximately US$346 million in potential milestone payments. In addition, we will be obligated to pay Blueprint tiered percentage royalties on a licensed-product-by-licensed-product basis ranging from the mid-teens to low twenties on annual net sales of each Blueprint Licensed Product in the Territory, subject to certain adjustments in specified circumstances. Unless terminated earlier, the Blueprint Agreement will continue on a product-by-product and region-by-region basis until the later of (i) 12 years after the first commercial sale of a Blueprint Licensed Product in a region in the Territory and (ii) the date of expiration of the last valid patent claim related to Blueprint's patent rights or any joint collaboration patent rights for the Blueprint Licensed Product that covers the composition of matter, method of use or method of manufacturing such Blueprint Licensed Product in such region.

WuXi AppTec Agreement

We entered into R&D CRO contracts with WuXi AppTec (Shanghai) Co. Limited ("**WuXi AppTec Shanghai**"), a subsidiary of WuXi AppTec, pursuant to which WuXi AppTec Shanghai is responsible for conducting pre-clinical R&D activities. We will pay WuXi AppTec Shanghai for the R&D services and after fulfillment of certain R&D milestones under the relevant contract, WuXi AppTec Shanghai will transfer the intellectual property generated in the R&D process to us. In consideration of WuXi AppTec Shanghai's contribution in the R&D process, WuXi AppTec Shanghai will receive single-digit royalty payments for the domestic and international sales revenue of each product generated in relation to such intellectual property. Our obligation to make royalty payments to WuXi AppTec Shanghai will cease upon the expiration of the intellectual property rights generated in the R&D process. We are still pursuing MEK (CS3006), CDK4/6 (CS3002), HDAC6 (CS3003) inhibitors and certain other pre-clinical drug candidates under the relevant R&D CRO contracts with WuXi AppTec.

SERVICE PROVIDERS AND SUPPLIERS

Our service providers and suppliers are primarily industry leading CROs and CMOs located mainly in China and Australia that provide us with a range of services such as drug discovery, development, clinical trials and clinical manufacturing. To monitor and evaluate services performed by our CROs, we assign internal staff to supervise our CROs on key clinical activities, such as patient eligibility review, medical data review and SAE review. The study team, which is comprised of members from us and the CRO's, hold regular meetings to evaluate the CRO's performance by following up on study progress and discussing potential issues and risks. We have implemented standardized metrics to monitor key qualitative and quantitative indicators that include training compliance, quality issues for deliverables, timeliness of data entry and monitoring visit report completion, and turnover rate of key team members assigned to the study. Our project manager and senior management also conduct site visits to oversee site initiation and patient recruitment and monitor data quality. Data quality is further assessed by in-house data review, including medical review, study document review and monitoring report review. To monitor and evaluate services performed by our CMOs, we set a series of pre-defined specifications on in-process control and release tests, and review manufacturing related documents including batch records and quality control test results to ensure specifications are met. In addition, we conduct annual audit and when there is deviation from process protocol, ad hoc special audit on our CMOs. Beside the control measurement exercised by each function, we also follow industry practices on quality assurance and governance from a corporate level, and have established quality assurance framework to identify significant quality issues across processes, programs and vendors, manage quality issues and risks reported or escalated from project management teams, and perform quality measurement and trend analysis. We also have regular management oversight to assure safety, data integrity and regulatory compliance. We do not currently make material purchases of raw materials or equipment.

OUR SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of the Global Offering and the Capitalization Issue, our Substantial Shareholders comprise (i) WuXi Healthcare Ventures and its general partner, WuXi Healthcare Management, LLC, our largest shareholders, holding approximately 29.76% of the total issued share capital of our Company, (ii) Graceful Beauty Limited and entities deemed to have an interest through Graceful Beauty Limited, holding approximately 14.93% of the total issued share capital of our Company, and (iii) Zhengze Yuanshi and entities deemed to have an interest through Zhengze Yuanshi, holding approximately 9.98% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes). See "Substantial Shareholders" and "Relationship with Controlling Shareholders" in this prospectus for more information on our Substantial Shareholders.

OUR PRE-IPO INVESTORS

Since the establishment of our Company, we have entered into several rounds of financing agreements with our Pre-IPO Investors. Our broad and diverse base of Pre-IPO Investors consists of sophisticated investors focusing on the biotech and/or healthcare industry. For further details of the identity and background of the Pre-IPO Investors, see the section headed "History, Development and Corporate Structure – Pre-IPO Investments – 5. Information about the Pre-IPO Investors" in this prospectus.

Our Pre-IPO Investors are subject to lock-up arrangements at the time of Listing. Under the current arrangements, as of the Latest Practicable Date, the Shares currently held by the Pre-IPO Investors and all existing shareholders of the Company subject to lock-up arrangements represent 100% of the issued share capital of the Company as at the date of this prospectus, and approximately 81.06% of the issued share capital of the Company immediately following completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes). For further details regarding the key terms of the lock-up arrangements, see the section headed "History, Development and Corporate Structure – Pre-IPO Investments" in this prospectus.

SUMMARY OF KEY FINANCIAL INFORMATION

This summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this prospectus, as well as the information set forth in "Financial Information" of this prospectus. Our financial information was prepared in accordance with IFRS.

Summary Data from Consolidated Statements of Profit or Loss

During the Track Record Period, we incurred most of our losses from research and development and administrative expenses. For the year ended December 31, 2017 and the nine months ended September 30, 2018, we incurred increased losses on fair value changes of derivative financial liabilities under other gains and losses due to changes in fair value of the conversion option associated with the Preferred Shares. We expect to incur significant expenses and operating losses for at least the next several years as we further our pre-clinical research and development efforts on, continue the clinical development of, and seek regulatory approval for, our drug candidates, launch commercialization of our pipeline products, and add personnel necessary to operate our business. The following table sets forth summary data from our consolidated statements of profit or loss for the period indicated.

	Year Ended December 31		Nine Months Ended September 30	
	2016	**2017**	**2017**	**2018**
		(RMB in thousands)		
			(unaudited)	
Other income	187	13,954	2,533	12,824
Other gains and losses	9,185	(103,665)	(82,694)	(351,751)
Research and development expenses	(247,121)	(213,441)	(165,832)	(699,293)
Administrative expenses	(15,050)	(39,335)	(27,468)	(118,557)
Finance costs	(240)	(60)	(60)	–
Listing expenses	–	–	–	(5,623)
Loss for the year/period	(253,039)	(342,547)	(273,521)	(1,162,400)
Total comprehensive expenses for the year/period	(253,072)	(343,991)	(275,129)	(1,160,595)

Summary Data from Consolidated Statements of Financial Position

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

	As of December 31,		As of September 30,
	2016	2017	2018
	(RMB in thousands)		
Total current assets	824,816	545,260	1,742,711
Total non-current assets	1,323	19,020	22,303
Total assets	826,139	564,280	1,765,014
Total current liabilities	59,184	113,228	680,816
Total non-current liabilities	–	–	1,937
Total liabilities	59,184	113,228	682,753
Net current assets	765,632	432,032	1,061,895
Ordinary share capital	26	26	28
Preferred share capital	49	49	94
Reserves	712,613	426,263	1,082,139
Equity attributable to owners of the Company	712,688	426,338	1,082,261
Non-controlling interests	54,267	24,714	–
Total equity	766,955	451,052	1,082,261

Summary Data from Consolidated Cash Flow Statements

The following table sets forth summary data from our consolidated statements of cash flows for the periods indicated:

	Year Ended December 31		Nine Months Ended September 30	
	2016	**2017**	**2017**	**2018**
	(RMB in thousands)		*(unaudited)*	
Net cash used in operating activities	(213,006)	(240,186)	(190,253)	(628,801)
Net cash (used in) from investing activities	(753,469)	268,300	182,892	(504,746)
Net cash from (used in) financing activities	1,010,503	(300)	(300)	1,661,843
Net increase/(decrease) in cash and cash equivalents	44,028	27,814	(7,661)	528,296
Operating cash flows before movements in working capital	(252,734)	(213,567)	(172,064)	(643,911)

Key Financial Ratios

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

	As of December 31,		As of September 30,
	2016	**2017**	**2018**
Current Ratio[(1)]	13.9	4.8	2.6

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

GLOBAL OFFER STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 186,396,000 new Shares are issued pursuant to the Global Offering; (ii) 598,241,649 new Shares are issued pursuant to the Capitalization Issue; (iii) 984,051,532 Shares are issued and outstanding following the completion of the Global Offering; and (iv) no Shares are issued pursuant to the Over-allotment Option and no additional Shares are issued pursuant to the Share Incentivization Plan.

	Based on an Offer Price of HK$11.10	**Based on an Offer Price of HK$12.80**
Market capitalization of our Shares[(1)]	HK$10,923 million	HK$12,596 million
Unaudited pro forma adjusted net tangible asset value per Share[(2)]	HK$4.19	HK$4.52

Notes:

(1) The calculation of the market capitalization is based on the assumption that 984,051,532 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Capitalization Issue, assuming no additional Shares are issued pursuant to the Share Incentivization Schemes.

(2) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per Share is based on the consolidated statements of financial position as of September 30, 2018. Adjustment has been made to reflect the effect of the repurchase of 37,500 Preferred Shares on November 9, 2018, the conversion of Preferred Shares into ordinary shares and the acceleration of the vesting of 458,335 restricted shares on November 25, 2018. For further details, please refer to the section headed "Appendix II – Unaudited Pro Forma Adjusted Net Tangible Assets" in this prospectus.

DIVIDEND POLICY

We have never declared or paid regular cash dividends on our ordinary Shares. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Companies Law a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this

prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "Risk Factors – Risks Related to Our Doing Business in the PRC" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,066.98 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$11.95 per Offer Share, being the mid-point of the indicative Offer Price range of HK$11.10 to HK$12.80 per Offer Share in this prospectus. If the Offer Price is set at HK$12.80 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$151.77 million. If the Offer Price is set at HK$11.10 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$151.77 million.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately HK$620.09 million (representing 30.0% of the net proceeds) is allocated to our Core Product Candidate as follows:

    - approximately HK$429.93 million (representing 20.8% of the net proceeds) is expected to fund ongoing and planned clinical trials of CS1001, as described in the "Business" section of this prospectus,

    - approximately HK$18.60 million (representing 0.9% of the net proceeds) is expected to fund the preparation of CS1001 registration filings, and

    - approximately HK$171.56 million (representing 8.3% of the net proceeds) is expected to fund the launch, and subject to regulatory approval, commercialization (including sales and marketing) of CS1001;

- approximately HK$826.79 million (representing 40.0% of the net proceeds) is allocated to eight of our other clinical and IND stage candidates in our pipeline as follows:

  - approximately HK$545.68 (representing 26.4% of the net proceeds) is expected to fund ongoing and planned clinical trials of our other clinical and IND stage candidates in our pipeline, as described in the "Business" section of this prospectus,

  - approximately HK$107.48 million (representing 5.2% of the net proceeds) is expected to fund the preparation of registration filings for our other clinical and IND stage candidates in our pipeline, and

  - approximately HK$173.63 million (representing 8.4% of the net proceeds) is expected to fund the launch and, subject to regulatory approval, commercialization (including sales and marketing) of our other clinical and IND stage candidates in our pipeline;

- approximately HK$413.40 million (representing 20% of the net proceeds) is expected to fund the R&D of five of the remaining drug candidates in our pipeline and the R&D and in-licensing of new drug candidates; and

- approximately HK$206.70 million (representing 10% of the net proceeds) is expected to fund working capital and other general corporate purposes.

As mentioned above, HK$826.79 million (representing 40% of the net proceeds) that is allocated to our other clinical and IND stage candidates in our pipeline is expected to fund the ongoing and planned clinical trials, preparation of registration filings and planned commercial launches (including sales and marketing) of eight of our other clinical or IND stage drug candidates as follows:

- HK$177.76 million (representing 8.6% of the net proceeds) is expected to fund ivosidenib (CS3010, AG-120);

- HK$62.01 million (representing 3.0% of the net proceeds) is expected to fund avapritinib (CS3007, BLU-285);

- HK$155.02 million (representing 7.5% of the net proceeds) is expected to fund CS3009 (BLU-667);

- HK$59.94 million (representing 2.9% of the net proceeds) is expected to fund CS3008 (BLU-554);

- HK$72.34 million (representing 3.5% of the net proceeds) is expected to fund CS1002;

- HK$183.96 million (representing 8.9% of the net proceeds) is expected to fund CS1003;

- HK$86.81 million (representing 4.2% of the net proceeds) is expected to fund CS3006; and

- HK$28.94 million (representing 1.4% of the net proceeds) is expected to fund CS3003.

Based on the estimate from our ongoing clinical trials, the baseline per patient cost for Phase Ia clinical trials of CS1001 in Greater China is expected to be between US$100,000 and US$120,000; for Phase Ib, Phase II and Phase III clinical trials of CS1001 in Greater China, the per patient cost is expected to be between US$50,000 and US$70,000. For Phase I clinical trials of CS1001 in the U.S., the per patient cost is expected to be approximately US$150,000. We have not initiated any clinical trial of CS1001 in Australia, and based on per patient cost from our MEK and PD-1 trials, we estimate the per patient cost for Phase I clinical trials of CS1001 in Australia to be between US$70,000 and US$100,000. These estimates reflect our current views and are not a guarantee of our future clinical trial costs. Actual per patient cost for clinical trials of CS1001 may differ materially from these estimates as a result of a number of factors, including but not limited to indications, trial design, data requirements, trial timeframe, patient enrollment and trial sites.

For further details, see "Future Plans and Use of Proceeds."

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in "Risk Factors" in this prospectus. Some of the major risks we face include:

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

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

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

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

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

- If safety, efficacy, or other issues arise with any medical product used in combination with or to facilitate the use of our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays.

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

- We have no experience in launching and marketing drug candidates. If we are unable to develop marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to generate product sales revenue.

- We face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.

- If we are unable to obtain and maintain patent protection for our drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

- If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates.

- We rely on third parties to conduct our pre-clinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

- We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.

- Our future success depends on our ability to retain key executives and to attract, train, retain and motivate qualified and highly skilled personnel.

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business.

- We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$160.45 million (including underwriting commission, assuming an Offer Price of HK$11.95 per Share, being the mid-point of the indicative Offer Price range of HK$11.10 to HK$12.80 per Share), assuming no Shares are issued pursuant to the Over-allotment Option. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2016 and 2017. In the nine months ended September 30, 2018, the listing expenses charged to profit or loss were RMB5.62 million (approximately HK$6.58 million) and the issue costs capitalized to deferred issue costs were RMB1.41 million (approximately HK$1.64 million). After September 30, 2018, approximately HK$52.96 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$99.27 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS

We expect that the estimated consolidated loss of our Group for the three months ended December 31, 2018 to be not more than RMB638 million, and that the estimated consolidated loss of our Group for the year ended December 31, 2018 to have increased compared to the year ended December 31, 2017. For more details, see "Financial Information – Loss Estimate for the Year Ended December 31, 2018." Such increase in estimated loss was primarily due to loss on fair value changes of derivative financial liabilities and research and development expenses for advancing the Company's pipeline.

Save for the subsequent events as described in note 34 in the Accountant's Report set out in Appendix I, our Directors confirm, as of the date of this prospectus, that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since September 30, 2018, the end of the period reported on in the Accountants' Report set out in Appendix I to this prospectus.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors estimate, on the bases set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, the estimated consolidated loss of our Group for the year ended December 31, 2018 to be not more than RMB1,800 million. For more details, see "Financial Information – Loss Estimate for the Year Ended December 31, 2018."

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in "Glossary of Technical Terms" in this prospectus.

"Affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Agios"	Agios Pharmaceuticals, Inc., a corporation incorporated on August 7, 2007 and existing under the laws of the State of Delaware, U.S., whose shares are listed on NASDAQ (ticker symbol: AGIO)
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) or, where the context requires, any of them relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the fourth amended and restated articles of association of the Company adopted on January 30, 2019 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed "Appendix IV – Summary of the Constitution of the Company and Cayman Companies Law" in this prospectus
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Blueprint"	Blueprint Medicines Corporation, a corporation incorporated on October 14, 2008 and existing under the laws of the State of Delaware, U.S., whose shares are listed on NASDAQ (ticker symbol: BPMC)
"Board of Directors" or "Board" or "our Board"	our board of Directors
"Business Day"	any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"CAGR"	compound annual growth rate

"Capitalization Issue"	the issue of Shares on the Listing Date by way of the capitalization of certain sums standing to the credit of the share premium account of our Company to the holders of the Shares and the Preferred Shares whose names appear on the register of members of our Company at the close of business on the business day preceding the Listing Date in proportion to their then existing respective shareholdings
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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 Broker Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEO"	the Chief Executive Officer of our Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong SAR, Macau SAR and Taiwan
"Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"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"	CStone Pharmaceuticals, an exempt company incorporated under the laws of the Cayman Islands with limited liability on December 2, 2015
"Compensation Committee"	the compensation committee of the Board
"Compliance Adviser"	Somerley Capital Limited
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, as at the date of this prospectus refers to WuXi Healthcare Ventures and WuXi Healthcare Management, LLC
"Core Product Candidate"	CS1001 (PD-L1 antibody), the designed "core product" as defined under Chapter 18A of the Listing Rules
"CStone HK"	CStone Pharma (HK) Holding Limited (previously known as CStone Pharmaceuticals Limited), a company incorporated under the laws of Hong Kong on December 23, 2015 and one of the Company's subsidiaries
"CStone Shanghai"	Tuo Shi Pharmaceuticals (Shanghai) Co., Ltd. (拓石藥業(上海)有限公司), a company established under the laws of the PRC on March 29, 2016 and one of the Company's subsidiaries
"CStone Suzhou"	CStone Pharmaceuticals (Suzhou) Co., Ltd. (基石藥業(蘇州)有限公司), a company established under the laws of the PRC on April 21, 2016 and one of the Company's subsidiaries
"Director(s)" or "our Director(s)"	the director(s) of our Company or any one of them
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Greater China"	PRC, Hong Kong SAR, Macau SAR 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", "us" or "our"	our Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "Hong Kong dollars" or "HK dollars" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong", "Hong Kong SAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 18,640,000 Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong, on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus
"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 section headed "Underwriting – Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated February 12, 2019 relating to the Hong Kong Public Offering entered into among our Company, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement" in this prospectus
"IFRS"	International Financial Reporting Standards
"independent third party(ies)"	party or parties which is/are not connected (as defined in the Listing Rules) to our Company or its subsidiaries
"Industry Consultant", or "Frost & Sullivan"	Frost and Sullivan (Beijing) Inc., Shanghai Branch Co.
"INED(s)"	the independent non-executive Director(s)
"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Offer Shares"	the 167,756,000 Shares (subject to adjustment and the exercise of the Over-allotment Option as described in the section headed "Structure of the Global Offering" in this prospectus), which are the subject of the International Offering
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into among our Company and the International Underwriters on or about February 19, 2019 as further described in the section headed "Underwriting" in this prospectus

"IRB"	institutional review boards
"Joint Bookrunners"	Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited
"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited
"Joint Lead Managers"	Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited
"Joint Sponsors"	Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
"Latest Practicable Date"	February 11, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"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 February 26, 2019 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"Memorandum" or "Memorandum of Association"	the fourth amended and restated memorandum of association of the Company adopted on January 30, 2019 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed "Appendix IV – Summary of the Constitution of the Company and Cayman Companies Law" in this prospectus
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK$12.80 and is expected to be not less than HK$11.10, to be determined as described in "Structure and Conditions of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, where relevant, with any Shares being issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by our Company to the Joint Global Coordinators (on behalf of the International Underwriters) under the International Underwriting Agreement pursuant to which our Company may be required by the Joint Global Coordinators to allot and issue up to 27,959,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"Over-allotment Shares"	up to 27,959,000 Shares which our Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
"Post-IPO ESOP"	the post-IPO employee share option plan adopted by the Company on January 30, 2019, with effect upon completion of the Global Offering and Capitalization Issue, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information – Share Incentivization Schemes – Post-IPO ESOP" in this prospectus
"PRC Legal Advisor"	Fangda Partners
"Preferred Share(s)"	preferred share(s) in the share capital of the Company, including Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares, Series A-4 Preferred Shares and Series B Preferred Shares
"Pre-IPO Incentivization Plan"	the pre-IPO employee equity plan adopted by the Company pursuant to the resolution passed by the Board on July 7, 2017, as amended and restated on August 3, 2018 and as supplemented on August 14, 2018, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information – Share Incentivization Schemes – Pre-IPO Incentivization Plan" in this prospectus

"Pre-IPO Investments"	the subscription of 35,000,000 Series A-1 Preferred Shares, 30,000,000 Series A-2 Preferred Shares, 7,945,757 Series A-3 Preferred Shares, 24,554,243 Series A-4 Preferred Shares and 46,240,971 Series B Preferred Shares by the Pre-IPO Investors at an aggregate consideration of approximately US$412 million pursuant to the Series A Share Purchase Agreement, Series B Share Purchase Agreement, and Series A Preferred Shares Agreement, further information on which is set forth in the section headed "History, Development and Corporate Structure – Pre-IPO Investment" in this prospectus
"Pre-IPO Investors"	the Series A Preferred Shareholders and the Series B Preferred Shareholders
"Price Determination Agreement"	the agreement to be entered into among our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or around the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date on which the Offer Price is to be fixed
"Regulation S"	Regulation S under the U.S. Securities Act
"Series A Preferred Shareholders"	Series A-1 Preferred Shareholders, Series A-2 Preferred Shareholders, Series A-3 Preferred Shareholders and Series A-4 Preferred Shareholders
"Series A-1 Preferred Shareholders"	WuXi Healthcare Ventures, Graceful Beauty Limited and Fay Xing
"Series A-2 Preferred Shareholders"	WuXi Healthcare Ventures and Graceful Beauty Limited
"Series A-3 Preferred Shareholders"	Oriza Seed Fund I L.P., and Hikeo Biotech L.P.
"Series A-4 Preferred Shareholder"	Zhengze Yuanshi

"Series B Preferred Shareholders"	WuXi Healthcare Ventures, Graceful Beauty Limited, Hikeo Biotech L.P., Tetrad Ventures Pte Ltd, Kaitai International Funds SPC, Taikang Kaitai (Cayman) Special Opportunity I, 6 Dimensions Capital, L.P., 6 Dimensions Affiliates Fund, L.P., CJS Medical Investment Limited, SCC Growth IV Holdco G, Ltd, YF IV Checkpoint Limited, HH CST Holdings Limited, Arch Venture Fund IX, L.P., Arch Venture Fund IX Overage, L.P., Pure Progress International Limited, Terra Magnum CST LLC, 3W Partners Fund II, L.P., Huifu Investments Limited, King Star Med LP and Golden & Longevity Portfolios L.P.
"Series A-1 Preferred Shares"	the series A-1 preferred shares of the Company, par value US$0.0001 per share
"Series A-2 Preferred Shares"	the series A-2 preferred shares of the Company, par value US$0.0001 per share
"Series A-3 Preferred Shares"	the series A-3 preferred shares of the Company, par value US$0.0001 per share
"Series A-4 Preferred Shares"	the series A-4 preferred shares of the Company, par value US$0.0001 per share
"Series B Preferred Shares"	the series B preferred shares of the Company, par value US$0.0001 per share
"Series A Preferred Shares Agreement"	the agreement entered into between the Company, and among others, Zhengze Yuanshi and its affiliate(s) dated August 3, 2018
"Series A Share Purchase Agreement"	the Series A share purchase agreement entered into between the Company, CStone HK, Zhengze Yuanshi, Graceful Beauty Limited and WuXi Healthcare Ventures dated March 4, 2016
"Series B Share Purchase Agreement"	the Series B share purchase agreement entered into between the Company, certain of its subsidiaries, the then Series B Preferred Shareholders dated April 28, 2018 (as subsequently amended on August 3, 2018)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued share capital of our Company
"Share Incentivization Schemes"	our Pre-IPO Incentivization Plan and the Post-IPO ESOP
"Shareholder(s)"	holder(s) of Shares
"Stabilization Manager"	Goldman Sachs (Asia) L.L.C.
"Strategy Committee"	the strategy committee of the Board
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TGA"	Therapeutic Goods Administration of Australia
"Track Record Period"	the periods comprising the two years ended December 31, 2016 and 2017 and nine months ended September 30, 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Exchange Act"	United States Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
"U.S. FDA"	U.S. Food and Drug Administration
"U.S. Securities Act"	the United States Securities Act of 1933 (as amended)
"WFOE"	Wholly Foreign-Owned Enterprise

"**WHITE** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants' own name
"White Form eIPO"	applying for the Hong Kong Offer Shares to be issued in your 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
"WuXi AppTec"	WuXi AppTec Co., Ltd, a limited company incorporated under the laws of PRC on December 1, 2000, whose shares are listed on the Shanghai Stock Exchange (stock code: 603259) and the Stock Exchange (stock code: 2359), and an independent third party
"WuXi Biologics"	WuXi Biologics (Cayman) Inc., a limited company incorporated under the laws of Cayman Islands on February 27, 2014, whose shares are listed on the Stock Exchange (stock code: 2269), and an independent third party
"WuXi Entities"	Wuxi Biologics and WuXi AppTec and their respective subsidiaries
"WuXi Healthcare Ventures"	WuXi Healthcare Ventures II, L.P., a limited partnership established under the laws of Cayman Islands on May 25, 2015, our Controlling Shareholder, and a connected person of the Company
"**YELLOW** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"Zhengze Yuanshi"	Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (蘇州工業園區正則原石創業投資企業) (有限合夥), and a connected person of the Company
"%"	percent

In this prospectus:

- *Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the Latest Practicable Date of this prospectus.*

- *Unless otherwise specified, all references to any shareholdings in our Company assuming that the Over-allotment Option and options granted under the Share Incentivization Schemes have not been exercised.*

- *The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

This glossary contains definitions of certain terms used in this prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

"2-HG"	2-hydroxyglutarate, part of butanoate metabolic pathway that can be produced by phosphoglycerate dehydrogenase in humans
"3+3 dose escalation design"	a rule based dose escalation schedule that starts by allocating lowest dose level to first cohort, then adaptively escalates or de-escalates based on observed DLTs, and repeats until MTD is obtained or when trial is stopped
"7+3 chemo regimen"	7-day cytarabine and 3-day daunorubicin, an acronym for a chemotherapy regimen
"α-KG"	α-ketoglutarate, a type of biological compounds, the keto acid produced by deamination of glutamate, and an intermediate in the Krebs cycle
"active ingredient"	the substance in a pharmaceutical drug that is biologically active
"ADA"	adenosine deaminase, an enzyme involved in purine metabolism catalysing adenosine and deoxyadenosine to produce inosine and deoxyinosine in the process
"ADME"	absorption, distribution, metabolism, and excretion
"ADCC"	antibody dependent cell-mediated cytotoxicity or antibody-dependent cellular cytotoxicity, a mechanism of cell-mediated immune defense whereby an effector cell of the immune system actively lyses a target cell, whose membrane-surface antigens have been bound by specific antibodies
"AEs"	adverse events, any untoward medical occurrences in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment

"AML"	acute myeloid leukemia, a cancer of the myeloid line of blood cells, characterized by the rapid growth of abnormal cells that build up in the bone marrow and blood and interfere with normal blood cells
"APC(s)"	antigen presenting cells
"apoptosis"	programmed cell death
"ASM"	aggressive SM, a form of SM characterized by considerable infiltration of mast cells in different tissues
"assay"	an analysis done to determine (1) the presence of a substance and the amount of that substance and (2) the biological or pharmacological potency of a drug
"ATC"	anaplastic thyroid cancer, a type of thyroid cancer with a poor prognosis due to its aggressive behavior and resistance to cancer treatments
"bi-specific"	in reference to antibodies are those antibodies that combine two antigen-recognizing elements into a single construct, able to bind to two different antigens at the same time
"BLA"	biologic license application
"blasts"	immune blood cells
"blast counts"	the percentage of blasts in the bone marrow, blood or other areas as indicated
"BRAF V600E mutation"	A specific mutation (change) in the BRAF gene found in some types of cancer, including melanoma and colorectal cancer, which leads to consecutive activation of the mitogen-activated protein kinase pathway and cell growth
"bridging trial (study)"	a supplemental trial or study performed in the new region to provide pharmacodynamic or clinical data on efficacy, safety, dosage, and dose regimen in the new region that will allow extrapolation of the foreign clinical data to the new region

"BTCA"	blunt traumatic cardiac arrest, a type of clinical indication, in which the heart ceases to beat due to blunt trauma
"BTK"	Bruton's tyrosine kinase, an enzyme that in humans is encoded by the BTK gene
"CAPA"	corrective actions and preventative actions, consisting of improvements to an organization's processes taken to eliminate causes of non-conformities or other undesirable situations
"carcinoma"	a cancer that begins in the lining layer (epithelial cells) of organs
"CDC"	complement dependent cytotoxicity, a function of the complement system that kills pathogens by damaging their membranes without the involvement of antibodies or cells of the immune system
"CDE"	Center for Drug Evaluation
"CDK4/6 inhibitor"	any chemical that inhibits the function of cyclin-dependent kinases 4 and 6
"cell line"	a population of cells which descend from a single cell and contain the same genetic makeup, thereby producing the same proteins
"cGMP"	current good manufacturing practice
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"cHL"	classical Hodgkin's lymphoma, a type of cancer arising from the lymphatic system
"Choi criteria"	a type of method for response evaluation of targeted therapies that focuses on change in size and density of target lesions

"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"CMO(s)"	contract manufacturing organization(s), a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"cohort"	a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time
"colon cancer"	a cancer of the colon or rectum, located at the digestive tract's lower end
"combination therapy"	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
"CR"	complete remission or complete response
"CRh"	complete remission with partial hemotologic recovery
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CT"	computerized tomography
"CTA"	clinical trial agreement
"CTL(s)"	cytotoxic T-lymphocytes, a T lymphocyte (a type of white blood cell) that kills cancer cells, cells that are infected (particularly with viruses), or cells that are damaged in other ways
"CTLA-4"	a cytotoxic T-lymphocyte-associated protein 4, which down-regulates T cell immune response to cancer cells
"cytokine"	a broad and loose category of small proteins that are important in cell signalling. Their release has an effect on the behaviour of cells around them

"cytotoxic"	toxic to living cells
"D842V"	a type of mutation in PDGFRα gene
"DCR"	disease control rate
"DLT"	dose-limiting toxicity, a specified quantity of a therapeutic agent, such as a drug or medicine, prescribed to be taken at one time or at stated intervals
"DMPK"	drug metabolism and pharmacokinetics
"DNA"	deoxyribonucleic acid
"DOR"	duration of response
"EHS"	environmental, health and safety
"ERK"	extracellular signal-regulated kinase, a specific subtype of MAPK that have been extensively linked to regulation of synaptic plasticity and memory formation in many systems
"FGFR4"	fibroblast growth factor receptor 4
"first-line"	with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment of a given type and stage of cancer
"fully-human monoclonal antibody"	fully human antibodies made by identical immune cells that are clones of a unique parent cell
"GCP"	good clinical practice
"GIST"	gastrointestinal stromal tumor, a type of tumor that occurs in the gastrointestinal tract, most commonly in the stomach or small intestine
"GI tract"	gastrointestinal tract, an organ system within humans and other animals which takes in food, digests it to extract and absorb energy and nutrients, and expels the remaining waste as feces

"GMP"	good manufacturing practice
"Grade"	term used to refer to the severity of adverse events, using Grade 1, Grade 2, Grade 3, etc.
"Hatch-Waxman"	the Drug Price Competition and Patent Term Restoration Act, informally known as the Hatch-Waxman Act, which is a 1984 U.S. federal law
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"HDAC6 inhibitor"	any chemical that inhibits the function of histone deacetylase 6
"HNSCC"	head and neck squamous-cell carcinoma, a type of cancer arising from the mucous membranes of the mouth, nose, and throat and can spread to other parts of the body
"Hodgkin's Lymphoma"	a type of lymphoma
"humanized monoclonal antibody"	antibodies made by identical immune cells that are clones of a unique parent cell from non-human species antibodies whose protein sequence have been modified to increase similarity to antibodies produced by humans
"IC"	intensive chemotherapy
"IC_{50}"	half maximal inhibition, a measure of the potency of a substance in inhibiting a specific biological or biochemical function
"ICH"	the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use
"IDH"	isocitrate dehydrogenase, including two isocitrate dehydrogenase isozymes that catalyze the oxidative decarboxylation of isocitrate to 2-oxoglutarate and are encoded by different types of isocitrate dehydrogenase genes, named IDH1 gene and IDH2 gene, respectively
"IDH1m"	IDH1 mutations

"IFN-γ"	type II interferon, which is a cytokine that is critical for innate and adaptive immunity against viral, some bacterial infections and protozoal infections (infections caused by parasites)
"IgG4"	immunoglobulin G4
"IL-2"	interleukin-2, an interleukin, a type of cytokine signaling molecule in the immune system to provoke an immune response in the body of a human and other animal (i.e., the ability to induce humoral and/or cell-mediated immune responses)
"immunogenicity"	the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal (i.e., the ability to induce humoral and/or cell-mediated immune responses)
"immunoglobulin"	a protein that is made by B cells and plasma cells (types of white blood cells)
"immuno-oncology"	a type of immunotherapy that is specifically targeted to fight cancer
"immunotherapy"	use of the immune system to treat disease
"immune checkpoint inhibitors"	molecules that release the natural brakes which exist to control an immune response
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"INFα"	interferon-alpha, a type of interferon which is produced in the leukocytes infected with virus
"IO"	immuno-oncology
"irAEs"	immune-related AEs
"IRRs"	infusion-related reactions, a disorder characterised by adverse reaction to the infusion of pharmacological or biological substances

"ISM"	indolent SM, a form of SM characterized by symptoms related to mast cell degranulation/mediator-release and/or allergies/anaphylaxis
"LDT"	laboratory developed test
"LOE"	loss of exclusivity, a marketing strategy in pharmaceutical industry
"lymphocytes"	a sub-type of white blood cells, such as T cells, B cells and NK cells
"MAC"	membrane attack complex
"MAPK"	mitogen activated protein kinase, a type of protein kinase that is specific to the amino acids serine and threonine
"march-in rights"	the right of the U.S. federal government to grant to entities other than the holder of a patent licenses or to take a license for itself if the U.S. federal government funded the development of such patent
"MCL"	mast cell leukemia, a rare and aggressive form of mastocytosis characterized by >20% mast cells found in the bone marrow aspirates of patients with signs of systemic mastocytosis-related organ damage
"MEK1" or "MEK2"	mitogen-activated extracellular signal regulated kinases 1 or 2, two types of pathway regulating cell proliferation via its impact on cell cycle control
"melanoma"	a type of cancer that develops from the pigment-containing cells known as melanocytes
"metastatic"	in reference to any disease, including cancer, disease producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"MHC"	major histocompatibility complex

"MKI"	multi-kinase inhibitors, which work by inhibiting multiple intracellular and cell surface kinases, some of which are implicated in tumor growth and metastatic progression of cancer, thus decreasing tumor growth and replication
"MLR"	mixed lymphocyte reaction
"MTC"	medullary thyroid cancer, a form of thyroid carcinoma originating from the parafollicular C cells, which produce the hormone calcitonin
"MTD"	maximum tolerated dose, the highest dose of a drug or treatment that does not cause unacceptable side effects
"monoclonal antibodies" or "mAbs"	antibodies generated by identical immune cells that are all clones of the same parent cell
"mono-specific"	in reference to antibodies, are those whose specificity to antigens is singular in any of several ways: antibodies that all have affinity for the same antigen; antibodies that are specific to one antigen or one epitope; or antibodies specific to one type of cell or tissue
"monotherapy"	therapy that uses a single drug to treat a disease or condition
"mRECIST 1.1"	modified Response Evaluation Criteria in Solid Tumors version 1.1
"MSI-H"	microsatellite instability-high, a feature of cancer's genetic coding with a high amount of instability in a tumor
"NCT"	national clinical trial
"NDA"	new drug application
"NGS"	next-generation sequencing
"NKTL"	Natural killer/T cell lymphoma, part of T cell and NK-cell neoplasms and an aggressive lymphoma
"NRDL"	National Reimbursement Drug List

"NSCLC"	non-small cell lung cancer
"ORR"	objective response rate
"OS"	overall survival
"PARP"	poly (ADP-ribose) polymerase, a family of proteins involved in a number of cellular processes
"PBMCs"	peripheral blood mononuclear cells
"PD-1"	programmed cell death protein 1 or programmed death receptor 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell
"PDGF"	platelet-derived growth factor, a family of growth factors with mitogenic activity for connective tissue cells, such as fibroblasts and smooth muscle cells, as well as for certain other cell types. The PDGF family consists of including PDGF-A, -B, -C and -D, which form either homo- or heterodimers (PDGF-AA, -AB, -BB, -CC, -DD)
"PDGFRα"	PDGF receptor α, cell surface tyrosine kinase receptors for members of the PDGF family
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches 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
"PD-L2"	PD-1 ligand 2, which is a protein on the surface of a normal cell or a cancer cell that attaches 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
"pharmacodynamics" or "PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug

"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"pivotal trial"	the final controlled trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
"PMBCL"	primary mediastinal B-cell lymphoma, a relatively rare non-Hodgkin lymphoma
"PR"	partial response
"PRDL"	provincial reimbursement drug list
"pre-clinical studies"	pre-clinical studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"progression-free survival" or "PFS"	the length of time during and after the treatment of a disease, such as cancer, that a patient lives without the disease getting worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works
"PTC"	papillary thyroid cancer or papillary thyroid carcinoma, a type of thyroid cancer
"QD"	once daily
"Q3W"	every three weeks
"RA"	rheumatoid arthritis
"RBC"	red blood cell

"RECIST"	Response Evaluation Criteria in Solid Tumors, a set of published rules that define when tumors in cancer patients improve ("respond"), stay the same ("stabilize"), or worsen ("progress") during treatment. The criteria were published in February 2000 by an international collaboration including the European Organisation for Research and Treatment of Cancer (EORTC), National Cancer Institute of the United States, and the National Cancer Institute of Canada Clinical Trials Group. Now the majority of clinical trials evaluating cancer treatments for objective response in solid tumors use RECIST. These criteria were developed and published in February 2000, and subsequently updated in 2009
"refractory"	when used in reference to any type of cancer, cancer that does not respond to treatment. The cancer may be resistant at the beginning of treatment or it may become resistant during treatment
"relapsed"	when used in reference to any disease, including cancer, the return of a disease or the signs and symptoms of a disease after a period of improvement. With respect to cancer, the likely relapse occurs because a few of the original cancer cells survived the initial treatment. Sometimes, this is because cancer cells spread to other parts of the body and were too small to be detected during the follow-up immediately after treatment
"renal cell cancer" or "renal cell carcinoma"	kidney cancer, the symptoms for which may include blood in the urine (hematuria), low back pain on one side (not caused by injury), a mass (lump) on the side or lower back, fatigue (tiredness), loss of appetite, weight loss not caused by dieting, and/or a fever that is not caused by an infection and that does not go away
"RET"	rearranged during transfection
"RP2D"	Recommended Phase II dose
"R/R"	relapsed/refractory
"R/R AML"	relapsed or refractory AML

"SAEs"	serious AEs, any untoward medical occurrence in human drug trials that at any dose: results in death; is life-threatening; requires inpatient hospitalization or causes prolongation of existing hospitalization; results in persistent or significant disability/incapacity; may have caused a congenital anomaly/birth defect, or requires intervention to prevent permanent impairment or damage
"SCF"	stem cell factor, also known as KIT-ligand, a cytokine that binds to the c-KIT receptor
"SCLC"	small cell lung cancer, a fast-growing cancer that forms in tissues of the lung and can spread to other parts of the body
"SCT"	stem cell transplant, a procedure in which a patient receives healthy blood-forming cells (stem cells) to replace their own that have been destroyed by disease or by the radiation or high doses of anticancer drugs that are given as part of the procedure. A SCT may be autologous (using a patient's own stem cells that were collected and saved before treatment), allogeneic (using stem cells donated by someone who is not an identical twin), or syngeneic (using stem cells donated by an identical twin)
"SD"	stable disease. In oncology, it refers to cancer that is neither decreasing nor increasing in extent or severity
"SEB"	a superantigen, also known as staphylococcal enterotoxin B, which binds to MHC class II molecules and specific Vβ regions of TCR
"second-line"	with respect to any disease, the therapies that are tried when the first-line treatments do not work adequately or stop working. Sometimes first-line therapies show progress for a period of time followed by a stalling or continued growth of the cancer. Often the U.S. FDA, the NMPA or other drug regulatory authority will specifically approve a new drug for second-line therapy. This labeling is common for new drugs that treat cancers which already have accepted treatments

"SM"	systemic mastocytosis, a form of mastocytosis, in which mast cells accumulate in internal tissues and organs such as the liver, spleen, bone marrow, and small intestines
"SM-AHN"	SM with an associated hematologic neoplasm
"SM-AHNMD"	SM with an associated hematologic non-mast cell disease
"solid tumors"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them. Examples of solid tumors are sarcomas, carcinomas, and lymphomas
"standard-of-care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals. Also called best practice, standard medical care, and standard therapy
"$T_{1/2}$"	terminal half-life, the time required for the concentration to fall to 50% of its peak value
"T cell" or "T lymphocyte"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"TCR"	T cell receptors
"TEAEs" or "treatment emergent adverse events"	adverse events not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment
"TKIs"	tyrosine kinase inhibitor, a pharmaceutical drug that inhibits tyrosine kinases
"TKI naïve HCC patients"	HCC patients with no history of TKI administration before the start date of recommended treatment

"TNBC"	triple-negative breast cancer, any breast cancer that does not express the genes for estrogen receptor, progesterone receptor (PR) and HER2/neu
"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure. It is expressed generally as a dose response
"Treg"	T-regulatory cell, a subpopulation of T cells that modulate the immune system, maintain tolerance to self-antigens, and prevent autoimmune disease
"UCC"	urothelial cell carcinoma, a type of cancer that typically occurs in the urinary system
"URR"	urea reduction ratio, the reduction in urea as a result of dialysis
"VEGF"	vascular endothelial growth factor, a gene critical for the growth and development of cancer cells. There are three main subtypes of VEGF receptors, including VEGFR1, VEGFR2 and VEGFR3
"VEGFR2"	vascular endothelial growth factor receptor 2, a type of VEGF that is a primary responder to vascular endothelial growth factor signal, and thereby regulates endothelial migration and proliferation
"VID"	VEGF Inhibit Domain
"WT"	wild-type

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in "Summary," "Risk Factors," "Future Plans and Use of Proceeds," "Financial Information," "Industry Overview" and "Business." These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors," which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects;
- our financial conditions and our operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- our strategies and initiatives, business plans, objectives and goals;
- our ability to attract customers and further enhance our brand recognition;
- our dividend distribution plans;
- the amount and nature of, and potential for, future development of our business;
- general political and economic conditions; and
- changes to regulatory and operating conditions in the markets in which we operate.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in the section entitled "Risk Factors."

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus completely and with the understanding that our actual future results or performance may be materially different from what we expect.

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

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

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our financial position and need for additional capital; (ii) risks relating to our business, comprising (a) risks relating to clinical development of our drug candidates, (b) risks relating to extensive government regulation, (c) risks relating to commercialization of our drugs and drug candidates, (d) risks relating to our intellectual property rights and (e) risks relating to our reliance on third parties; (iii) risks relating to our operations; (iv) risks relating to our doing business in China and (v) risks relating to the Global Offering.

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

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable.

Investment in pharmaceutical drug development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. We have incurred losses in each period since our inception. As of December 31, 2016 and 2017 and September 30, 2018, we had a loss for the year/period of RMB253.0 million, RMB342.5 million and RMB1,162.4 million, respectively. In addition, we expect that our loss and total comprehensive expenses for the year ended December 31, 2018 of not more than RMB1,800 million. For details, see "Financial Information – Loss Estimate for the Year Ended December 31, 2018." Substantially all of our operating losses have resulted from costs incurred in connection with our research and development programs and administrative expenses associated with our operations.

We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue and expand our development of, and seek regulatory approvals for, our drug candidates, and continue to build up our commercialization and sales workforce in anticipation of the future roll-out of our late-stage drug candidates. Typically, it takes many years to develop one new drug from the drug discovering stage to when it is available for treating patients. In addition, we will continue to incur costs associated with operating as a public company and in support of our growth as a development-stage or commercial-stage biopharmaceutical company. The size of our future net losses will depend, in part, on the number and scope of our drug development programs and the associated costs of those programs, the cost of commercializing any approved products, our ability to generate revenues and the timing and amount of milestones and other payments we make or receive with or through arrangements with third parties. If any of our drug candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations.

We have net operating cash outflow during the Track Record Period.

We had net cash used in operating activities of RMB213.0 million, RMB240.2 million, RMB190.3 million and RMB628.8 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively. While we believe we have sufficient working capital to fund our current operations, we expect that we may experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default in our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.

We believe our current cash and cash equivalents, the internally generated funds and the estimated net proceeds from the Global Offering will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to meet our continued operating cash requirements in the future, especially to fund our research and development activities. Our cash operating costs mainly consist of employee costs, licensing fee and third party contracting cost. Employee costs consist of employee salaries and allowance, performance related bonus and retirement benefit scheme for research and development and administrative personnel. Licensing fee includes the in-license fee related to our in-licensed drug candidates, and during the Track Record Period in-license fee was paid to Blueprint and Agios. Third party contracting cost represents the expenses related to our research and development outsourcing activities (excluding licensing fees), and during the Track Record Period third-party contracting cost was mainly paid to WuXi Biologics and WuXi AppTec. For the year ended December 31, 2018, we estimate that we have incurred total

operating cash costs of RMB754 million, including employee costs of RMB70 million, licensing fee of RMB356 million and third party contracting cost of RMB328 million. In addition, we have made and expect to continue to make payments pursuant to our agreements with Agios and Blueprint. Under the Agios Agreement, we have made a total of US$12 million (RMB79 million) cash payment, and Agios is eligible to receive up to US$407 million in development, regulatory and commercial milestone payments. Under the Blueprint Agreement, we have made a total of US$40 million (RMB257 million) cash payment, and Blueprint is eligible to receive up to approximately US$346 million in potential milestone payments. Under the agreements with the WuXi Entities, we will continue to pay the WuXi Entities fees for the research and development services provided by them. We expect our cash operating costs in 2019 will increase significantly to approximately RMB1,035 million to RMB1,380 million in light of our expanding clinical trial programs. The estimated cash operating costs reflect current expectations of our business operations and may be subject to material changes. If the financial resources available to us after the Listing are insufficient to satisfy our cash requirements, we may seek additional funding through equity offerings, debt financings, collaborations and licensing arrangements. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. If we were not able to obtain additional capital to meet our cash requirements in the future, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business.

We are a development-stage biopharmaceutical company founded in December 2015. Our operations to date have focused on organizing and staffing our Company, business planning, raising capital, establishing our intellectual property portfolio, and conducting pre-clinical studies and clinical trials of our drug candidates. We have no internally-developed products approved for commercial sale and have not generated any revenue from internally-developed product sales. Our limited operating history, particularly in light of the rapidly evolving biopharmaceutical industry, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer. These risks may cause potential investors to lose substantially all of their investment in our business.

We will need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our primary drug candidates.

Our drug candidates will require the completion of clinical development, regulatory review, significant marketing efforts and substantial investment before they can provide us with product sales revenue. Our operations have consumed substantial amounts of cash since inception. Our operating activities used RMB213.0 million, RMB240.2 million and RMB628.8 million of net cash during the years ended December 31, 2016 and 2017 and for the nine

months ended September 30, 2018, respectively. We expect to continue to spend substantial amounts on drug discovery, advancing the clinical development of our drug candidates, and launching and commercializing any approved drug candidates for which we receive regulatory approval. Our existing cash, cash equivalents and short-term investments may not be sufficient to enable us to complete all global development or commercially launch all of our current drug candidates for the currently anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "Risk Factors" section. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we currently expect. Our future funding requirements will depend on many factors, including:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely enroll patients in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our drug candidates;
- the number and characteristics of drug candidates that we may in-license and develop;
- the amount and timing of the milestone and royalty payments we receive from our collaborators;
- the cost of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights;
- selling and marketing costs associated with any future drug candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;
- the terms and timing of any potential future collaborations, licensing or other arrangements that we may establish;
- cash requirements of any future acquisitions and/or the development of other pipeline drug candidates;
- the cost and timing of development and completion of commercial-scale internal or outsourced manufacturing activities; and
- our headcount growth and associated costs.

Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts. Our inability to obtain additional funding when we need it could seriously harm our business.

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

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

RISKS RELATING TO OUR BUSINESS

Risks Relating to Clinical Development of Our Drug Candidates

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

Our business will depend on the successful development, regulatory approval and commercialization of our drug candidates for the treatment of patients with cancer or other targeted indications, all of which are still in pre-clinical or clinical development, and other drug candidates we may develop. We have invested a significant portion of our efforts and financial resources in the development, licensing and acquisition of our existing drug candidates. The success of our drug candidates will depend on several factors, including:

- successful enrollment of patients in, and completion of, clinical trials, as well as completion of pre-clinical studies;

- favorable safety and efficacy data from our clinical trials and other studies;

- receipt of regulatory approvals;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by contract research organizations, or CROs, or other third parties we may retain to conduct clinical trials, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- successfully launching commercial sales of our drug candidates, if and when approved; and
- obtaining sufficient supplies of any competitor drug products that may be necessary for use in clinical trials for evaluation of our drug candidates.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in our ability or be unable to obtain approval for and/or to successfully commercialize our drug candidates, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations. These factors present uncertainty and material risks to our commercial success and may cause potential investors to lose a substantial amount or substantially all of their investment in our business.

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

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the size and nature of the patient population and the patient eligibility criteria defined in the protocol.

Our clinical trials will likely compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some

of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen and other trial protocol elements and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites and additional countries and languages involved in such trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding positive results in earlier trials. Our future clinical trial results may not be favorable.

Even if our future clinical trial results show favorable efficacy and impressive durability of antitumor responses, not all patients may benefit. For certain drugs, including checkpoint inhibitors, and in certain indications, it is likely that the majority of patients may not respond to the agents at all, some responders may relapse after a period of response and certain tumor types may appear particularly resistant.

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

Before obtaining regulatory approval for the sale of our drug candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates, including but not limited to: regulators, institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site; our inability to reach agreements on

acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites; manufacturing issues relating to our third party CMOs or in the future after we establish our own facilities, including problems with manufacturing, supply quality, compliance with good manufacturing practice, or GMP, or obtaining from third parties sufficient quantities of a drug candidate for use in a clinical trial; clinical trials of our drug candidates may produce negative or inconclusive results, and additional clinical trials or abandon drug development programs may be required; the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or patients may drop out at a higher rate than we anticipate; our third-party contractors, including clinical investigators, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all; we might have to suspend or terminate clinical trials of our drug candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks; the cost of clinical trials of our drug candidates may be greater than we anticipate; and the supply or quality of our drug candidates, companion diagnostics or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate.

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

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

Immuno-oncology therapies including PD-1/PD-L1 antibodies may cause undesirable side effects.

Immuno-oncology therapies such as PD-1/PD-L1 antibodies are still considered as emerging and relatively novel therapeutics for treating cancer diseases. Their mechanisms of action are yet to be thoroughly understood, and adverse events or side effects have been observed in clinical studies and reported by medical practitioners in connection with their usage in cancer patients.

The results of clinical trials for immuno-oncology therapies including PD-1/PD-L1 antibodies could reveal a high and unacceptable severity and prevalence of undesirable side effects. Any such side effects could adversely impact our ability to obtain regulatory approvals. For example, the NMPA, the U.S. FDA or other comparable authorities could order us to suspend or terminate our studies or to cease further development of or deny approval of our drug candidates. Also, a number of immune-related adverse events, or irAEs, have been associated with treatment with checkpoint inhibitors and these irAEs may be more common in certain patient populations (potentially including elderly patients) and may be exacerbated when checkpoint inhibitors are combined with other therapies. In addition, any drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete trials or may result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

We may not be successful in developing, enhancing or adapting to new technologies and methodologies.

We must keep pace with new technologies and methodologies to maintain our competitive position. For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our research and development expenses were RMB247.1 million, RMB213.4 million, RMB165.8 million and RMB699.3 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our clinical trials. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies. Any failure to do so may make our techniques obsolete, which could harm our business and prospects.

Risks Relating to Extensive Government Regulation

All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

All jurisdictions in which we intend to conduct our pharmaceutical-industry activities regulate these activities in great depth and detail. We intend to focus our activities in the major markets of China, the United States, and the European Union. These geopolitical areas all strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. However, there are differences in the regulatory regimes–some minor, some significant–that make for a more complex and costly regulatory compliance burden for a company like ours that plans to operate in each of these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's approval, refusal or withdrawal, license revocation and total or partial suspension of production or distribution. Failure to comply with these regulations could have a material adverse effect on our business.

In many countries or regions where a drug is intended to be ultimately sold, such as China, the United States, Europe and Japan, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we develop such drug. For example, we may need to obtain clearance from the U.S. Food and Drug Administration, or the U.S. FDA, or other regulatory authorities as part of an Investigational New Drug application to seek authorization to begin clinical trials, or their clinical trials are filed as part of a New Drug Application, Biologic License Application or other filings to seek marketing approval. These regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. Although we passed all the inspections and obtained clearance in relation to discovery, development and manufacturing, if applicable, from the regulatory authorities in all material respects during the Track Record Period, we cannot assure you that we will be able to do so going forward. Any failure to comply with existing regulations and industry standards, could result in fines or other punitive actions against us and the disqualification of data for submission to regulatory authorities, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and adversely affect our reputation and financial results.

The regulatory approval processes of the National Medical Products Administration, U.S. FDA, European Medicines Agency and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

The time required to obtain approval by the National Medical Products Administration, or NMPA, U.S. FDA, the European Medicines Agency, or EMA, and other comparable regulatory authorities is unpredictable but typically takes 10-15 years following the commencement of pre-clinical studies and clinical trials and depends on numerous factors, including the substantial discretion of the regulatory authorities.

Our drug candidates could fail to receive regulatory approval for many reasons, including:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;

- failure to demonstrate that a drug candidate is safe and effective or, if it is a biologic, that it is safe, pure, and potent for its proposed indication;

- failure of clinical trial results to meet the level of statistical significance required for approval;

- data integrity issues related to our clinical trials;

- disagreement with our interpretation of data from pre-clinical studies or clinical trials;

- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and

- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

The NMPA, U.S. FDA, EMA or a comparable regulatory authority may require more information, including additional pre-clinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program.

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Resubmission may impact the costs, timing or successful completion of a clinical trial.

If we experience delays in the completion of, or the termination of, a clinical trial of any of our drug candidates, the commercial prospects of that drug candidate will be harmed, and our ability to generate product sales revenues from any of those drug candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our drug candidate development and approval process, and jeopardize our ability to commence product sales and generate related revenues for that candidate. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our drug candidates.

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

We have entered into license agreements with third parties providing us with rights to various third-party intellectual property, including rights in patents and patent applications. For details, see "Business – Collaboration and Licensing Agreements." These license agreements impose diligence, development or commercialization timelines and milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under our current or future license agreements, our counterparties may have the right to terminate these agreements, in which event we might not be able to develop, manufacture or market any drug or drug candidate that is covered by the licenses provided for under these agreements or we may face claims for monetary damages or other penalties under these agreements. Such an occurrence could diminish the value of these products and our business. Termination of the licenses provided for under these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements with less favorable terms, or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology.

We may need to obtain additional licenses from our existing licensors and others to advance our research or allow commercialization of drug candidates we may develop. It is possible that we may be unable to obtain any additional licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to redesign our drug candidates or the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize the affected drug candidates, which could harm our business, financial condition, results of operations, and prospects significantly.

Certain of our license agreements also require us to meet development thresholds to maintain the license, including establishing a set timeline for developing and commercializing products. Disputes may arise regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or violate intellectual property of the licensor that is not subject to the license agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;

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

- the priority of invention of patented technology.

In addition, the agreements under which we license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected drug candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Pursuant to the relevant laws and regulations, we are required to obtain and maintain various approvals, licenses, permits and certificates from relevant authorities to operate our business. Some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Any failure to obtain or renew any approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

If we participate in compassionate use programs, current regulatory discrepancies among competent authorities of different countries may lead to increased risk of adverse drug reaction and serious adverse events being produced from the use of our products.

Compassionate use programs are regulatory programs that facilitate access to investigational drugs for the treatment of patients with serious or immediately life-threatening diseases or conditions that lack therapeutic alternatives. Currently, there is no unified approach or standard practice to regulate compassionate use programs amongst competent authorities in different countries for access to investigational drugs. In China, currently there is no officially approved regulation to oversee compassionate use programs. In Australia, relevant regulations for compassionate use program adopt a case-by-case approach to review patient enrollment. In the U.S., compassionate use program is limited to patients that have life-threatening disease or serious disease or condition to gain access to an investigational medical product for treatment outside of clinical trials when no comparable or satisfactory alternative therapy options are available.

The regulatory discrepancy for compassionate use program among competent authorities in different countries may lead to uneven patient entry criteria and protocols for compassionate use programs. This may create increased risk for serious adverse events because of enrolled patients' advanced disease or comorbidities. In addition, because the products in compassionate use programs are investigational drugs, many of which are still in experimental stages and have not received marketed approval, patients in compassionate use program may exhibit adverse drug reactions from using these products. If we participate in compassionate use programs, we may be subject to the risk of enrolled patients exhibiting adverse drug reactions or serious adverse events being produced from the use of our products. These occurrences can potentially lead to clinical holds of our ongoing clinical trials or complicate the determination of the safety profile of a drug candidate under regulatory review for commercial marketing.

Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs.

The drug market is heavily regulated globally, including in the United States and China. Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may increase the difficulty for us to satisfy such requirements, may have a material adverse impact on our business, financial condition, results of operations and prospects. In particular, under current Chinese regulatory requirements, to introduce a drug approved overseas to the China market, the drug must either be registered as an imported drug or repeat in China the development process and be manufactured in China. By engaging us, foreign pharmaceutical or biopharmaceutical companies will be able to conduct parallel drug research and development in China for both China and overseas markets simultaneously, thereby substantially reducing the time and cost

required to introduce drugs to the China market. If China ever streamlines, expedites or simplifies such regulatory procedures, foreign pharmaceutical or biopharmaceutical companies' demand for collaboration partnerships with local partners like us may decrease, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

FIRRMA Pilot Program may restrict our ability to acquire technologies and assets in the United States that are material to our commercial success.

On November 10, 2018, the pilot program (the "**Pilot Program**") that provisionally implements the Foreign Investment Risk Review Modernization Act of 2018 (the "**FIRRMA**") will become effective to regulate foreign investments in United States businesses that involve technologies deemed critical by the Committee on Foreign Investment in the United States (the "**CFIUS**"). The Pilot Program may restrict our capacity to invest in United States entities and opportunities to acquire technologies that are material to our business operations. While the Pilot Program currently restricts only controlling and certain non-controlling investments made by foreign persons in United States businesses in Research and Development in Biotechnology, the Pilot Program may further expand its scope in the future and place additional limitations on strategic collaborations with our current United States partners and may expand into a permanent and more restrictive implementations of FIRRMA, which could detrimentally affect our capacity to acquire foreign assets in the United States that may be material to our commercial success.

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

In the United States, the Federal Food Drug and Cosmetic Act, as amended by the law generally referred to as "Hatch-Waxman," provides the opportunity for patent-term restoration that provides a patent term extension of up to five years to reflect patent term lost during certain portions of product development and the U.S. FDA regulatory review process. Hatch-Waxman also has a process for patent linkage, pursuant to which the U.S. FDA will stay approval of certain follow-on applications during the pendency of litigation between the follow-on applicant and the patent holder or licensee, generally for a period of 30 months. Finally, Hatch-Waxman provides for statutory exclusivities that can prevent submission or approval of certain follow-on marketing applications. For example, federal law provides a five-year period of exclusivity within the United States to the first applicant to obtain approval of a new chemical entity (as defined) and three years of exclusivity protecting certain innovations to previously approved active ingredients where the applicant was required to conduct new clinical investigations to obtain approval for the modification. Similarly, the United States Orphan Drug Act provides seven years of market exclusivity for certain drugs to treat rare diseases, where U.S. FDA designates the drug candidate as an orphan drug and the drug is approved for the designated orphan indication. These provisions, designed to promote innovation, can prevent competing products from entering the market for a certain period of time after the U.S. FDA grants marketing approval for the innovative product.

Depending upon the timing, duration and specifics of any U.S. FDA marketing approval process for any drug candidates we may develop, one or more of our U.S. patents may be eligible for limited patent term extension under Hatch-Waxman. Hatch-Waxman permit a patent extension term of up to five years as compensation for patent term lost during clinical trials and the U.S. FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. In China, however, there is no currently effective law or regulation providing patent term extension, patent linkage, or data exclusivity (referred to as regulatory data protection). Therefore, a lower-cost generic drug can emerge onto the market much more quickly. Chinese regulators have set forth a framework for integrating patent linkage and data exclusivity into the Chinese regulatory regime, as well as for establishing a pilot program for patent term extension. To be implemented, this framework will require adoption of regulations. To date, no regulations have been issued. These factors result in weaker protection for us against generic competition in China than could be available to us in the United States. For instance, the patents we have in China are not yet eligible to be extended for patent term lost during clinical trials and the regulatory review process. If we are unable to obtain patent term extension or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations, and prospects could be materially harmed.

Any of our future approved drug candidates will be subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

Any of our future approved drug candidates will be subject to ongoing or additional regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including both federal and state requirements in the United States and requirements of comparable regulatory authorities in China and other countries.

Manufacturers and manufacturers' facilities are required to comply with extensive NMPA, U.S. FDA, EMA and comparable regulatory authority requirements ensuring that quality control and manufacturing procedures conform to cGMP regulations. As such, we will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any New Drug Application, or NDA, other marketing application, and previous responses to any inspection observations if we were to build manufacturing facilities in the future. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

Any approvals that we receive for our drug candidates may be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, which could adversely affect the drug's commercial potential or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the drug candidate. The NMPA, U.S. FDA, EMA or a comparable regulatory authority may also require a risk evaluation mitigation strategy program as a condition of approval of our drug candidates or following approval. In addition, if the NMPA, U.S. FDA, EMA or a comparable regulatory authority approves our drug candidates, we will have to comply with requirements, including, for example, submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP and good clinical practice, or GCP, for any clinical trials that we conduct post-approval.

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, U.S. FDA, EMA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

If safety, efficacy, or other issues arise with any medical product used in combination with or to facilitate the use of our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays.

Our strategy to develop combination therapies depends on the safety and efficacy of each component drug within each combination therapy. If the NMPA, U.S. FDA, EMA or another comparable regulatory agency revokes or denies its approval of a component therapeutic, in either the clinical design, clinical administration, therapy approval or commercialization stage, we will be forced to terminate or redesign the clinical trials, experience significant regulatory delays or stop our commercialization efforts. In addition, we may fail our commercialization effort because products that facilitate the use of our drug candidates incur safety, efficacy or availability issues. For example, there are currently no specific regulations on the companion diagnostic test used in conjunction with our drug candidates for patient identification in China. The lack of regulations presents uncertainties to our commercialization efforts and may have adverse effect on our business and results of operations.

Even if we are able to commercialize any approved drug candidates, the drugs may become subject to national or other third-party reimbursement practices or unfavorable pricing regulations, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. In China and some markets outside China, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a drug in a particular country, but then be subject to price regulations that delay our commercial launch of the drug and negatively impact our revenues.

Our ability to commercialize any approved drug candidates successfully also will depend in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organizations.

A primary trend in the global healthcare industry is cost containment. Government authorities and these third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications.

In China, the Ministry of Human Resources and Social Security of China or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from the China's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, or the National Reimbursement Drug List, or the NRDL, or provincial or local medical insurance catalogues for the National Medical Insurance Program, or the PRDL, regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. There can be no assurance that any of our future approved drug candidates will be included in the NRDL or the PRDL. Products included in the NRDL or the PRDL are typically generic and essential drugs. Innovative drugs similar to our drug candidates have historically been more limited on their inclusion in the NRDL or the PRDL due to the affordability of the government's Basic Medical Insurance.

If we were to successfully launch commercial sales of our products but fail in our efforts to have our products included in the NRDL or PRDL, our revenue from commercial sales will be highly dependent on patient self-payment, which can make our products less competitive. Additionally, even if the Ministry of Human Resources and Social Security of the PRC or any of its local counterparts accepts our application for the inclusion of products in the NRDL or PRDL, our potential revenue from the sales of these products could still decrease as a result of the significantly lowered prices we may be required to charge for our products to be included in the NRDL or PRDL.

In the United States, no uniform policy of coverage and reimbursement for drugs exists among third-party payors. As a result, obtaining coverage and reimbursement approval of a drug from a government or other third-party payor is a time-consuming and costly process that could require us to provide to each payor supporting scientific, clinical and cost-effectiveness data for the use of our future approved drugs on a payor-by-payor basis, with no assurance that coverage and adequate reimbursement will be obtained. Even if we obtain coverage for a given drug, the resulting reimbursement rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Additionally, third-party payors may not cover, or provide adequate reimbursement for, long-term follow-up evaluations required following the use of our future approved drug candidates. Patients are unlikely to use any of our future approved drug candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of the drug. Because some of our drug candidates have a higher cost of goods than conventional therapies, and may require long-term follow-up evaluations, the risk that coverage and reimbursement rates may be inadequate for us to achieve profitability may be greater.

Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any approved drug candidate that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any approved drug candidate that we commercialize. Obtaining or maintaining reimbursement for approved drug candidates may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidate that we in-license or successfully develop.

There may be significant delays in obtaining reimbursement for approved drug candidates, and coverage may be more limited than the purposes for which the drug candidates are approved by the NMPA, U.S. FDA, EMA or other comparable regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future weakening of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any future approved drug candidates and any new drugs that we develop could have a material adverse effect on our business, our operating results, and our overall financial condition.

We intend to seek approval to market our drug candidates in China, the United States, the European Union and in other jurisdictions. In both China and the European Union, the pricing of drugs is subject to governmental control, which can take considerable time even after obtaining regulatory approval. Market acceptance and sales of any of our future approved drug candidates will depend significantly on the availability of adequate coverage and reimbursement from third-party payors for drugs and may be affected by existing and future health care reform measures.

Adverse drug reactions and negative results from off-label use of our products could materially harm our business reputation, product brand name, financial condition and expose us to liability.

Products distributed or sold in the pharmaceutical market may be subject to off-label drug use. Off-label drug use is prescribing a product for an indication, dosage or in a dosage form that is not in accordance with regulatory approved usage and labeling. Even though the NMPA, the U.S. FDA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label use, there remains the risk that our product

is subject to off-label drug use and is prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities. This occurrence may render our products less effective or entirely ineffective and may cause adverse drug reactions. Any of these occurrences can create negative publicity and significantly harm our business reputation, product brand name, commercial operations and financial condition, including the Company's share price. These occurrences may also expose us to liability and cause, or lead to, a delay in the progress of our clinical trials and may also ultimately result in failure to obtain regulatory approval for our drug candidates.

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

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

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or 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 China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our future approved drug candidates. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

Risks Relating to Commercialization of Our Drugs and Drug Candidates

If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our drug candidates, and our ability to generate revenue will be materially impaired.

Before obtaining regulatory approvals for the commercial sale of any drug candidate for a target indication, we must demonstrate in pre-clinical studies and well-controlled clinical trials, and, with respect to approval in China, to the satisfaction of the NMPA, that the drug candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. In addition to pre-clinical and clinical data, the NDA or BLA must include significant information regarding the chemistry, manufacturing and controls for the drug candidate. Obtaining approval of an NDA is a lengthy, expensive and uncertain process, and approval may not be obtained. If we submit an NDA to the NMPA, the NMPA decides whether to accept or reject the submission for filing. We cannot be certain that any submissions will be accepted for filing and review by the NMPA.

We have limited experience in filing for regulatory approval for our drug candidates, and we have not yet demonstrated ability to receive regulatory approval for our drug candidates. So far we have not independently submitted NDA. As a result, our ability to successfully submit any NDA, and obtain regulatory approval for our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience in obtaining regulatory approvals.

Regulatory authorities outside of China, such as the U.S. FDA and EMA, also have requirements for approval of drugs for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements and approval processes can vary widely from country to country and could delay or prevent the introduction of our drug candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Seeking foreign regulatory approval could require additional non-clinical studies or clinical trials, which could be costly and time-consuming. The foreign regulatory approval process may include all of the risks associated with obtaining NMPA approval. For all of these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all.

The process to develop, obtain regulatory approval for and commercialize drug candidates is long, complex and costly both inside and outside the United States and China, and approval is never guaranteed. Following any approval for commercial sale of our drug candidates, certain changes to the drug, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA, U.S. FDA and EMA and comparable regulatory authorities. Also, regulatory approval for any of our drug candidates may be withdrawn. If we are unable to obtain regulatory approval for our drug candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our drug candidates will be harmed. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue the development of any other drug candidate in the future.

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

Our future approved drug candidates may fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well established in the medical community, and doctors may continue to rely on these treatments to the exclusion of our drug candidates that are in clinical trials for the same or similar cancer indications. In addition, physicians, patients and third-party payors may prefer other novel products to ours. The degree of market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our drug candidates are approved;
- physicians, hospitals, cancer treatment centers and patients considering our drug candidates as a safe and effective treatment;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of regulatory authorities;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our drug candidates as well as competitive drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payors and government authorities; and
- the effectiveness of our sales and marketing efforts.

If any approved drug candidates that we commercialize fail to achieve market acceptance in the medical community, we will not be able to generate significant revenue. Even if our future approved drug candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our drug candidates, are more cost-effective or render our drug candidates obsolete.

We have no experience in launching and marketing drug candidates. If we are unable to develop marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to generate product sales revenue.

We have not yet demonstrated an ability to launch and commercialize any of our drug candidates. As a result, our ability to successfully commercialize our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience launching and marketing drug candidates.

We will have to compete with other pharmaceutical and biopharmaceutical companies to recruit, hire, train and retain marketing and sales personnel. We may either develop internal sales, marketing and commercial distribution capabilities for any or all of our drug candidates or pursue collaborative arrangements regarding the sales and marketing of our drug candidates. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our drug candidates ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts for our drug candidates.

As a result, we may not be able to generate product sales revenue.

We face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.

The development and commercialization of new drugs is highly competitive. We face competition from major pharmaceutical companies, specialty pharmaceutical companies and biopharmaceutical companies worldwide. There are a number of large pharmaceutical and biopharmaceutical companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of cancer or other indications for which we are developing our drug candidates. For example, there were four approved PD-1 inhibitors in China as of January 2019, namely Bristol-Myers Squibb's OPDIVO® (nivolumab), MSD's KEYTRUDA® (pembrolizumab), Junshi's JS001 (toripalimab) and Innovent's Tyvyt® (sintilimab), all of which received their NDA approvals in 2018, and there were no approved PD-L1 inhibitors in China. As of January 2019, there were two NDAs of PD-1 inhibitors, namely camrelizumab submitted by Hengrui and tislelizumab submitted by Beigene, and one NDA of PD-L1 inhibitor Imfinzi® (durvalumab) submitted by AstraZeneca under the NMPA's review. Some of these competitors have better resources and expertise than us. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any drugs that we may develop or commercialize. Our competitors also may obtain approval from the NMPA, U.S. FDA, EMA or other comparable regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. They may render our drug candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our drug candidates.

Mergers and acquisitions in the pharmaceutical and biopharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

The market opportunities for our drugs and drug candidates may be limited to those patients who are ineligible for or have failed prior treatments and may be small.

In markets with approved therapies, we may initially seek approval of our drug candidates as a later stage therapy for patients who have failed other approved treatments. Subsequently, for those drugs that prove to be sufficiently beneficial, if any, we may seek approval as a second line therapy and potentially as a first line therapy, but there is no guarantee that our drug candidates, even if approved, would be approved for second line or first line therapy.

Our projections of both the number of people who have the cancers we are targeting, as well as the subset of people with these cancers in a position to receive later stage therapy and who have the potential to benefit from treatment with our drug candidates, are based on our beliefs and estimates and may prove to be inaccurate or based on imprecise data. Further, new studies may change the estimated incidence or prevalence of these cancers. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our drugs and drug candidates may be limited or may not be amenable to treatment with our drugs and drug candidates. Even if we obtain significant market share for our drug candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications, including use as a first or second line therapy.

We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in the United States and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. If we obtain U.S. FDA or NMPA approval for any of our drug candidates and begin commercializing those drugs

in the United States, or China our operations may be subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act, the PRC Anti-Unfair Competition Law and PRC Criminal Law and physician payment sunshine laws and regulations. These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business.

Additionally, we are subject to state and non-U.S. equivalents of each of the healthcare laws described above, among others, some of which may be broader in scope and may apply to healthcare services reimbursed by any source, not just governmental payors, including private insurers. In addition, some states have passed laws that require pharmaceutical companies to comply with the April 2003 Office of Inspector General Compliance Program Guidance for Pharmaceutical Manufacturers and/or other voluntary industry codes of conduct. Several states also impose other marketing restrictions or require pharmaceutical companies to make marketing or price disclosures to the state. There are ambiguities as to what is required to comply with these state requirements, and if we fail to comply with an applicable state law requirement we could be subject to penalties.

Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from federal and state healthcare programs such as Medicare and Medicaid and debarment from contracting with the U.S. government. In addition, private individuals have the ability to bring actions on behalf of the U.S. government under the federal False Claims Act as well as under the false claims laws of several states.

Neither the U.S. government nor the U.S. courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and it is possible that some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, the approval and commercialization of any of our drug candidates outside the United States will also likely subject us to non-U.S. equivalents of the healthcare laws mentioned above, among other non-U.S. laws.

If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may also adversely affect our business.

Risks Relating to Our Intellectual Property Rights

If we are unable to obtain and maintain patent protection for our drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

Our success depends in large part on our ability to protect our proprietary technology and drug candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing patent applications in the United States, China and other countries, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. For further information on our patent portfolio, see "Business – Intellectual Property." If we or our licensors are unable to obtain or maintain patent protection with respect to our drug candidates and technologies, our business, financial condition, results of operations and prospects could be materially harmed. As of the Latest Practicable Date, we did not hold any issued patent directed to our Core Product. For further information about the patent rights and licensing arrangements for our Core Product, see "Business – Collaboration with WuXi Biologics", "Business – Our Relationship with CROs – Our Relationship with WuXi Biologics and WuXi AppTec – WuXi Biologics" and "Business – Intellectual Property" in this prospectus.

The scope of patent protection in various jurisdictions is also uncertain. Changes in either the patent laws or their interpretation in China, the United States or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future issued patents will provide sufficient protection from competitors.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner in all desirable territories. As a result, we may not be able to prevent competitors from developing and commercializing competitive drugs in all such fields and territories.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. As of the Latest Practicable Date, all of our patentable pipeline products were currently subject to filing or pending patent applications but not covered by any issued patent.

It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions. Furthermore, China and, recently, the United States have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

In addition, under the PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the State Intellectual Property Office, or SIPO, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we license or own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents that we hold or in-license may be challenged, narrowed, circumvented, or invalidated by third parties. In addition, the patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patent rights may be challenged in the courts or patent offices in the United States, China and other countries. We may be subject to a third-party preissuance submission of prior art to the United States Patent and Trademark Office, or USPTO, or become involved in opposition, derivation, revocation, re-examination, post-grant review, *inter partes* review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or drug candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialize drug candidates without infringing, misappropriating or otherwise violating third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the

USPTO to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge the priority of our invention or other features of patentability of our patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and drug candidates. Such proceedings also may result in substantial costs and require significant time from our scientists and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technology or drug candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, although various extensions may be available, the life of a patent and the protection it affords, is limited. Even if we successfully obtain patent protection for an approved drug candidate, it may face competition from generic or biosimilar medications once the patent has expired. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. The pending patent applications, if issued, for our drug candidates are expected to expire on various dates as described in "Part I – Item 1 – Business – Intellectual Property" of this prospectus. Upon the expiration of patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Moreover, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Additionally, patent rights we may own or license currently or in the future may be subject to a reservation of rights by one or more third parties. For example, under U.S. law, when new technologies are developed with U.S. government funding, the U.S. government generally obtains certain rights in any resulting patents, including a non-exclusive license

authorizing the government to use the invention for non-commercial purposes. These rights may permit the U.S. government to disclose our confidential information to third parties and to exercise march-in rights to use or allow third parties to use our licensed technology. The U.S. government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the U.S. government-funded technology, or if it determines that action is necessary to alleviate health or safety needs, to meet requirements of federal regulations, or to give preference to U.S. industry. In addition, our rights in such inventions may be subject to certain requirements to manufacture products embodying such inventions in the United States. Any exercise by the government of such rights could harm our competitive position, business, financial condition, results of operations, and prospects.

Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.

We rely on licenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development of our drug candidates. These and other licenses may not provide exclusive rights to use such intellectual property in all relevant fields of use and in all territories in which we may wish to develop or commercialize our drug products. As a result, we may not be able to prevent competitors from developing and commercializing competitive drug products in territories included in all of our licenses. For details, see "Business – Collaboration and Licensing Agreements."

In addition, we may not have the right to control the preparation, filing, prosecution, maintenance, enforcement, and defense of patents and patent applications covering the drug candidates that we license from third parties. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced, and defended in a manner consistent with the best interests of our business. If our licensors fail to prosecute, maintain, enforce and defend such patents, or lose rights to those patents or patent applications, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize any of our drugs that are subject of such licensed rights could be adversely affected.

Our licensors may have relied on third party consultants or collaborators or on funds from third parties such that our licensors are not the sole and exclusive owners of the patents we in-license. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

In spite of our best efforts, our licensors might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, thereby removing our ability to develop and commercialize drug products covered by these license agreements. As such, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. In addition, we may seek to obtain additional licenses from our licensors in a manner that may be more favorable to the licensors, including by agreeing to terms that could enable third parties (potentially including our competitors) to receive licenses to a portion of the intellectual property that is subject to our existing licenses. Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

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

We or our licensors may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents or other intellectual property. If we or our licensors are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which we or they are subject, we may lose valuable intellectual property rights through the loss of one or more patents owned or licensed or our owned or licensed patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our licensors are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership of, or the exclusive right to use, our owned or in-licensed patents. If we or our licensors are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture, and commercialization of one or more of our drug candidates. The loss of exclusivity or the narrowing of our owned and licensed patent claims could limit our ability to stop others from using or commercializing similar or identical drug products. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations, or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

We may not be able to protect our intellectual property rights throughout the world or prevent unfair competition by third parties.

Filing, prosecuting, maintaining and defending patents on drug candidates in all countries throughout the world could be prohibitively expensive for us, and our intellectual property rights in some non-U.S. countries can have a different scope and strength than do those in the United States. In addition, the laws of certain non-U.S. countries do not protect intellectual property rights to the same extent as the laws of the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing drugs made using our inventions in and into the United States or non-U.S. jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own drugs and further, may export otherwise infringing drugs to non-U.S. jurisdictions where we have patent protection, but where enforcement rights are not as strong as those in the United States. These drugs may compete with our drug candidates and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

We currently have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the registration of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain jurisdictions, including China. The legal systems of some countries do not favor the enforcement of patents, trade secrets and other intellectual property, particularly those relating to biopharmaceutical products, which could make it difficult in those jurisdictions for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property rights, or the marketing of competing drugs in violation of our proprietary rights. Proceedings to enforce our intellectual property and proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us.

We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

As a result, we may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. Patent rights relating to our drug candidates could be found invalid or unenforceable if challenged in court or before the United States Patent and Trademark Office or comparable non-U.S. authority.

If we are sued for infringing, misappropriating, or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates.

Our commercial success depends in part on our and our collaborators' avoiding infringement, misappropriation, and other violations of the patents and other intellectual property rights of third parties. We are aware of numerous issued patents and pending patent applications belonging to third parties that exist in fields in which we are developing our drug candidates. There may also be third-party patents or patent applications of which we are currently unaware, and given the dynamic area in which we operate, additional patents are likely to issue that relate to aspects of our business. There is a substantial amount of litigation and other claims and proceedings involving patent and other intellectual property rights in the biopharmaceutical and pharmaceutical industries generally. As the biopharmaceutical and pharmaceutical industries expand and more patents are issued, the risk increases that our drug candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that we are using technology in violation of their patent or other proprietary rights. We may also be subject to allegations by third parties of unfair competition, defamation or violation of their other rights. Defense of these claims, regardless of their merit, could involve substantial litigation expense and divert our technical personnel, management personnel, or both from their normal responsibilities. Even in the absence of litigation, we may seek to obtain licenses from third parties to avoid the risks of litigation, and if a license is available, it could impose costly royalty and other fees and expenses on us.

Even if we believe 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 and it could materially and adversely affect our ability to develop and commercialize any of our drug candidates and any other drug candidates covered by the asserted third party patents. In order to successfully challenge the validity of any such U.S. patent in federal court, we would need to overcome a presumption of validity. As this burden is a high one requiring us to present clear and convincing evidence as to the invalidity of any such U.S. patent claim, there is no assurance that a court of competent jurisdiction would invalidate the claims of any such U.S. patent.

If third parties bring successful claims against us for infringement, misappropriation, or other violations of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our drug candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim against us of infringement, misappropriation, or other violation of intellectual property, or a settlement by us of any such claims, we may have to pay substantial damages, which we may not be able to be indemnified by our licensing partners. In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow

commercialization of our drug candidates. Any such license might not be available on reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. In the event that we are unable to obtain such a license, we would be unable to further develop and commercialize one or more of our drug candidates, which could harm our business significantly. We may also elect to enter into license agreements in order to settle patent and other intellectual property infringement claims or to resolve disputes prior to litigation, and any such license agreements may require us to pay royalties and other fees that could significantly harm our business.

Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our shares. Such litigations or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

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

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.

Recently enacted United States laws have changed the procedures through which patents may be obtained and by which the validity of patents may be challenged. For example, in addition to the "first-to-file" system summarized above under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met, the Leahy-Smith America Invents Act, or the America Invents Act, enacted in September 2011, includes a number of significant changes that affect the way patent applications will be prosecuted and may also affect patent litigation. These changes include allowing third party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO-administered post-grant proceedings, including post-grant review and *inter partes* review. The America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of patents that may issue from our pending patent applications, each of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Recent U.S. Supreme Court rulings have also changed the law surrounding patent eligibility and narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. Depending on decisions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce patents that we might obtain in the future. There could be similar changes in the laws of foreign jurisdictions that may impact the value of our patent rights or our other intellectual property rights.

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

In addition to our pending patent applications, we rely on trade secret and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug candidates. We seek to protect this trade secret and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were to be

lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

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

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, and furthermore, the assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, each of which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel and could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.

Because our programs may involve additional drug candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire and maintain licenses or other rights to use these proprietary rights. We may be unable to acquire or in-license any compositions, methods of use, or other intellectual property rights from third parties that we identify. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and

commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or drug candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

Intellectual property rights do not necessarily address all potential threats.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business or permit us to maintain our competitive advantage. For example:

- others may be able to make products that are similar to any drug candidates we may develop or utilize similar technology that are not covered by the claims of the patents that we own or license now or in the future;

- we, or our license partners or current or future collaborators, might not have been the first to make the inventions covered by the issued patent or pending patent application that we license or may own in the future;

- we, or our license partners or current or future collaborators, might not have been the first to file patent applications covering certain of our or their inventions;

- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our owned or licensed intellectual property rights;

- it is possible that our pending licensed patent applications or those that we may own in the future will not lead to issued patents;

- patents that may be issued from our pending patent applications that we hold rights to may be held invalid or unenforceable, including as a result of legal challenges by our competitors;

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;

- we may not develop additional proprietary technologies that are patentable;

- the patents of others may harm our business; and

- we may choose not to file a patent for certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to Our Reliance on Third Parties

We rely on third parties to conduct our pre-clinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third-party CROs to generate, monitor or manage data for our ongoing pre-clinical and clinical programs. We rely on these parties for execution of our pre-clinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We, our CROs for our clinical programs and our clinical investigators are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA, U.S. FDA, EMA and other comparable regulatory authorities for all of our drugs in clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA, U.S. FDA, EMA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our pivotal clinical trials must be conducted with product produced under cGMP regulations. 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 programs. 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 clinical 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 drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding 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 similar 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.

Our future revenues are dependent on our ability to work effectively with collaborators to develop our drug candidates, including obtaining regulatory approval. Our arrangements with collaborators will be critical to successfully bringing products to market and commercializing them. We rely on collaborators in various respects, including to undertake research and development programs and conduct clinical trials, manage or assist with the regulatory filings and approval process and to assist with our commercialization efforts. We do not control our collaborators; therefore, we cannot ensure that these third parties will adequately and timely perform all of their obligations to us. If they fail to complete the remaining studies successfully, or at all, it could delay, adversely affect or prevent regulatory approval. We cannot guarantee the satisfactory performance of any of our collaborators and if any of our collaborators breach or terminate their agreements with us, we may not be able to successfully commercialize the licensed product which could materially and adversely affect our business, financial condition, cash flows and results of operations.

We engage the WuXi Entities to provide CRO services relating to some of our drug candidates, any material breach or unilateral termination of which may have a material adverse effect on our financial condition and business.

The WuXi Entities have played a significant role in providing CRO services relating to some of our drug candidates during the Track Record Period. Third-party contracting costs incurred for services provided by the WuXi Entities accounted for 96.8%, 79.8% and 23.9% of our total research and development expenses in 2016, 2017 and for the nine months ended September 30, 2018.

We entered into the WuXi Biologics Contract in February 2016 regarding the drug discovery and pre-clinical development services for 13 biologic drug candidates, of which we are still pursuing CS1001 (PD-L1 antibody), CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and one pre-clinical drug candidate. We also entered into the WuXi Ex-China Agreement to obtain an exclusive license to develop (including the rights to determine and perform R&D and clinical trials), manufacture and commercialize CS1001 (PD-L1 antibody) in the ex-China Territory. In addition, we entered into a series of CRO contracts with WuXi AppTec Shanghai, a subsidiary of WuXi AppTec, pursuant to which we will pay WuXi AppTec Shanghai for the R&D services and after fulfillment of certain R&D milestones under the relevant contract, and WuXi AppTec Shanghai will transfer the intellectual property generated in the R&D process to us. We are still pursuing CS3006 (MEK inhibitor), CS3002 (CDK4/6 inhibitor), CS3003 (HDAC6 inhibitor) and certain other pre-clinical drug candidates under the relevant CRO contracts with WuXi AppTec. Due to commercial and reputational reasons and based on our historical relationship with the WuXi Entities, we believe that a material breach or unilateral termination of any of the abovementioned contracts unlikely. However, we cannot control the WuXi Entities, which may take actions inconsistent to our interests, including material breach or unilateral termination of the contracts with us. If such event occurs, we can only seek remedies available to us under our contracts with the WuXi Entities.

As advised by Fangda Partners, our PRC Legal Advisor, under the Wuxi Biologics Contract or other CRO contracts with the WuXi Entities and when there is a material breach, the WuXi Entity shall compensate the direct economic losses (which excludes any special,

consequential, incidental, indirect or punitive damages, including loss of anticipated income, profits and that of certain other items) incurred by us, which is capped at the total amount of service fees already received by such WuXi Entity under the relevant contracts. However, if the WuXi Entity intentionally breaches or unilaterally terminates the relevant contracts intentionally or by fraud, it may be liable for damages beyond direct economic losses because the liability limitation does not apply when the breach involves intentional misconduct. In addition, the PRC Contract Law (合同法) governs the WuXi Biologics Contract or other CRO contracts with the WuXi Entities, and in the event that a contracting party does not perform in accordance with the contract terms, the aggrieved party is entitled to demand the continued performance of the breaching party subject to the decision from the designated arbitration tribunal, which takes into consideration factors such as difficulty of continued performance. However, as the outcome of a legal proceeding is inherently uncertain, we cannot assure you that we will be able to obtain a favorable outcome.

Under the WuXi Ex-China Agreement, in the event of unilateral termination or a material breach by WuXi Biologics, we will be entitled to either terminate for cause or bring a claim for breach. If we elect to terminate for cause, we will be entitled to the following remedies pursuant to the terms of the WuXi Ex-China Agreement: (i) the license granted by WuXi Biologics to us will remain in effect in accordance with its terms provided that such license shall become perpetual and irrevocable, (ii) the portion of profits not yet paid to WuXi Biologics shall be credited first against any actual monetary damages awarded to us as a result of the breach, (iii) we shall have the right to offset the full amount of any remaining actual monetary damages awarded to us against any profits after termination, (iv) we shall continue to have the rights to prosecute, maintain, enforce and defend the relevant patents relating to CS1001 to the extent specified in the agreement, and (v) WuXi Biologics will indemnify us from and against losses incurred by us resulting from its breach.

We may also elect to bring a breach claim pursuant to the dispute resolution procedures set forth under the WuXi Ex-China Agreement. The agreement does not specify any particular arbitral body or location, but the parties have agreed that the arbitrator's award will be final and binding. If submitted to arbitration, the arbitrator will, as required by the agreement, apply New York law. Although there is generally a presumption against granting specific performance to remedy a breach of contract, specific performance may be granted under New York law if certain factors are met. A court would typically weigh the following key factors in determining whether to grant specific performance: (i) the uniqueness of the goods that constitute the subject of the agreement and the inability to find an adequate substitute for the goods, (ii) the inadequacy of the remedy at law, (iii) the difficulty of proving damages with reasonable certainty and the inability of one party to recover damages from the breaching party, and (iv) the fact that the enforcement of specific performance will not be inequitable, oppressive, or unconscionable, or result in undue hardship, for the breaching party. The WuXi Ex-China does not explicitly provide for, or limit, the arbitrator's power to specifically enforce the agreement, nor does the agreement incorporate by reference any specific arbitration rules which would provide guidance on the scope of the arbitrator's power to do so. New York case law, however, suggests that an arbitrator can grant specific performance under certain circumstances even in the absence of a contractual provision authorizing the remedy.

Additionally, courts generally defer to the arbitrator especially if the arbitration agreement provides that the award is final and binding, as is the case here, unless the arbitrator has exceeded his authority or there are strong public policy reasons against enforcing the award. That said, in general, courts (and arbitrators) are reluctant to award specific performance. Likelihood of success in a legal proceeding is inherently uncertain, subject to a variety of factors, such as the facts and circumstances of the case, the monetary amount at stake, the parties involved, as well as the court's discretion. Whether specific performance could be an appropriate remedy in this case will depend on the facts and the nature of the breach and the specific remedy we will be seeking, by weighing the key factors described above.

We do not believe we have undue reliance on the WuXi Entities. Our transactions with the WuXi Entities are conducted based on normal commercial terms and are consistent with market and industry standard. As our development activities shift from focusing on the pre-clinical and early clinical stages to late clinical stage development and commercialization of its drug candidates, we will increasingly broaden the pool of suppliers and service providers to meet its evolving needs. Further, Frost & Sullivan, our independent industry consultant, has advised us that they are not aware of any particular circumstances we would face in finding CROs service providers and suppliers other than the WuXi Entities, to meet our business needs. However, we cannot assure you that if there is a material breach or unilateral termination under our CRO contracts or licensing agreements with the WuXi Entities, we would be able to find a replacement CRO service provider and supplier on a timely basis with similar service quality and on terms acceptable to us, if at all, in which case our financial condition and business may suffer.

We may rely on third parties to manufacture or import our clinical and commercial drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

We currently use third parties for our manufacturing process and for the clinical supply of our drug candidates. Reliance on third-party manufacturers would expose us to the following risks:

- we may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the NMPA, U.S. FDA, EMA or other comparable regulatory authorities must evaluate and/or approve any manufacturers as part of their regulatory oversight of our drug candidates. This evaluation would require new testing and cGMP-compliance inspections by NMPA, U.S. FDA, EMA or other comparable regulatory authorities;

- our third-party manufacturers might be unable to timely manufacture our drug candidates or produce the quantity and quality required to meet our clinical and commercial needs, if any;

- manufacturers are subject to ongoing periodic unannounced inspection by the U.S. FDA and corresponding state agencies in the United States to ensure strict compliance with cGMP and other government regulations and by other comparable

regulatory authorities for corresponding non-U.S. requirements. We do not have control over third-party manufacturers' compliance with these regulations and requirements;

- we may not own, or may have to share, the intellectual property rights to any improvements made by our third-party manufacturers in the manufacturing process for our drug candidates;

- manufacturers 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;

- manufacturers may infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property rights of third parties;

- raw materials and components used in the manufacturing process, particularly those for which we have no other source or supplier, may not be available or may not be suitable or acceptable for use due to material or component defects; and

- our contract manufacturers and critical reagent suppliers may be subject to inclement weather, as well as natural or man-made disasters.

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

Manufacturers of drug and biological products often encounter difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process (including the absence of contamination). These problems include logistics and shipping, difficulties with production costs and yields, quality control, including stability of the product, product testing, operator error, availability of qualified personnel, as well as compliance with strictly enforced federal, state and non-U.S. regulations. Furthermore, if contaminants are discovered in our supply of our drug candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability failures or other issues relating to the manufacture of our drug candidates will not occur in the future, either relating to our third party CMOs or on the manufacturing facilities we plan to build in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political

environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide any future approved drug candidates for commercial sale and our drug candidates to patients in clinical trials would be jeopardized. Any delay or interruption in the provision of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.

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

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our drug candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our drug candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a drug candidate, we can expect to relinquish some or all of the control over the future success of that drug candidate to the third party. For any drug candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biotechnology 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 drug 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 drug candidates or may elect not to continue or renew development or commercialization programs 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 drug candidate, repeat or conduct new clinical trials, or require a new formulation of a drug candidate for clinical testing;

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

- a collaborator with marketing and distribution rights to one or more of our drug candidates may not commit sufficient resources to their marketing and distribution;

- 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 drug 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 drug candidates; and

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

As a result, we may not be able to realize the benefit of current or future collaborations, strategic partnerships or the license of our third-party drugs if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our drug candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provides a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term state secret is not clearly defined, if and to the extent our research and development of drug candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our research and development of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

RISKS RELATING TO OUR OPERATIONS

Our future success depends on our ability to retain key executives and to attract, train, retain and motivate qualified and highly skilled personnel.

We are highly dependent on Dr. Frank Ningjun Jiang, MD, Ph.D., our CEO and Chairman of our Board; and the other principal members of our management and scientific teams. Although we have formal employment agreements with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To induce valuable employees to remain at our Company, in addition to salary and cash incentives, we have provided share incentives that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in the market price of our Shares that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice.

Recruiting and retaining qualified scientific, technical, clinical, and manufacturing and sales and marketing personnel in the future will also be critical to our success. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our discovery, clinical development and commercialization strategy. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical and biopharmaceutical companies for similar personnel. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Our reputation is key to our business success. Negative publicity may adversely affect our reputation, business and growth prospect.

Any negative publicity concerning us, our affiliates or any entity that shares the "CStone" name, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicities about us or any of our affiliates or any entity that shares the "CStone" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition. In addition, referrals and word-of-mouth have significantly contributed to our ability to establishing new partnerships. As a result, any negative publicity about us or any of our affiliates or any entity that shares the "CStone" name could adversely affect our ability to maintain our existing collaboration arrangements or attract new partners.

We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

We had 157 employees as of the Latest Practicable Date. As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining, and motivating additional employees;

- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our drug candidates, while complying with our contractual obligations to contractors and other third parties; and

- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our drug candidates will depend, in part, on our ability to effectively manage our recent growth and any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialize our drug candidates and, accordingly, may not achieve our research, development and commercialization goals.

If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;

- the assumption of additional indebtedness or contingent or unforeseen liabilities;

- the issuance of our equity securities;

- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;

- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;

- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;

- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing drugs or drug candidates and regulatory approvals; and

- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

PRC regulations and rules concerning mergers and acquisitions, including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the Ministry of Commerce of China, or the MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, according to the Anti-Monopoly Law of PRC and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules issued by the State Council, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Lenders, or the Security Review Rules, issued by the MOFCOM 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 the 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 by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval and filing processes, including obtaining approval or filings from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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

We are subject to the anti-bribery laws of various jurisdictions, particularly China. As our business has expanded, the applicability of the applicable anti-bribery laws to our operations has increased. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.

Our growth strategies focuses on in-licensing of Greater China rights of early-stage assets with disruptive mechanisms of action or late-stage assets that are first-in-class in China and address large indications. For more information, see "Business – Our Strategies". Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive global and Chinese biopharmaceutical market, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and may produce hazardous waste products. We may contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain Work-related Injury Insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials.

In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our facilities may be vulnerable to natural disasters or other unforeseen catastrophic events.

We conduct certain of our drug development in our facility located in Suzhou, Jiangsu Province. We depend on our Suzhou facility for continued business operations. Natural disasters or other unanticipated catastrophic events that affect our facilities, including power interruptions, water shortages, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to operate our business. Our Suzhou facility and certain equipment located in our Suzhou facility would be difficult to replace in any such event and could require substantial replacement lead time and cost. The occurrence of any such event could materially and adversely affect our business, financial condition, results of operations and prospects.

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

Despite the implementation of security measures, our internal computer systems and those of our CROs, partners and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we have not experienced any material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. These applications and data encompass a wide variety of business critical information including research and development information, commercial information and business and financial information. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our Company or vendors that provide information systems, networks, or other services to us pose increasing risks. Such disruptions may be caused by events, such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive

software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenues. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and viruses, phishing, and other cyber-attacks. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes are costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely. As we outsource more of our information systems to vendors, engage in more electronic transactions with payors and patients, and rely more on cloud-based information systems, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems.

In conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the clinical testing and any future commercialization of our drug candidates inside and outside China. For example, we may be sued if our drug candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the drug, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection laws. If we cannot successfully defend ourselves against or obtain indemnification from our collaborators

for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: decreased demand for our drug candidates; injury to our reputation; withdrawal of clinical trial participants and inability to continue clinical trials; initiation of investigations by regulators; costs to defend the related litigation; a diversion of management's time and our resources; substantial monetary awards to trial participants or patients; product recalls, withdrawals or labeling, marketing or promotional restrictions; loss of revenue; exhaustion of any available insurance and our capital resources; the inability to commercialize any approved drug candidate; and a decline in the market price of our Shares.

To cover such liability claims arising from clinical studies, we purchase clinical trial insurance in the conduct of our clinical trials. It is possible that our liabilities could exceed our insurance coverage or that our insurance will not cover all situations in which a claim against us could be made. We may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired. Should any of these events occur, it could have a material adverse effect on our business, financial condition and results of operations.

In addition to the risks of doing business globally, we may explore the licensing of commercialization rights or other forms of collaboration worldwide, which will expose us to additional risks of conducting business in additional international markets.

Global markets are an important component of our growth strategy. Outside China, we intend to focus on opportunities in the United States and the European Union, in particular. Our rights to our in-licensed products are currently limited to the Greater China area. If we fail to obtain licenses or enter into collaboration arrangements with third parties in other markets, or if a third-party collaborator is not successful, our revenue-generating growth potential will be adversely affected. Moreover, international business relationships subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including:

- efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution efforts may increase our expenses or divert our management's attention from the acquisition or development of drug candidates;

- unexpected changes in laws and regulatory requirements and difficulty of effective enforcement of contractual provisions in local jurisdictions;

- inadequate intellectual property protection such as third parties obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;

- difficulty of ensuring that third-party partners do not infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property rights of others;

- unexpected changes in or imposition of trade restrictions, such as tariffs, sanctions or other trade controls, and similar regulatory requirements;

- economic weakness, including inflation;

- compliance with tax, employment, immigration and labor laws for employees traveling abroad;

- the effects of applicable foreign tax structures and potentially adverse tax consequences;

- currency fluctuations, which could result in increased operating expenses and reduced revenue, e.g., any appreciation of RMB against the Hong Kong dollar would result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into RMB and any such appreciation would also make any new RMB-denominated investments or expenditures more costly to us as our proceeds from the Global Offering will be denominated in Hong Kong dollars;

- workforce uncertainty and labor unrest;

- failure of our employees and contracted third parties to comply with anti-corruption and anti-bribery laws, such as United States Department of the Treasury's Office of Foreign Assets Control rules and regulations and the United States Foreign Corrupt Practices Act of 1977, as amended, or FCPA; and

- business interruptions resulting from geo-political actions and cultural climate or economic condition, including war and acts of terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially adversely affect our ability to procure equipment and raw material and to attain or sustain any future revenue from international markets.

We may undertake acquisitions or joint ventures that may have a material adverse effect on our ability to manage our business and may not be successful.

To pursue our growth strategy, we may acquire new technologies, businesses or services or enter into strategic alliances with third parties. We may not be able to identify attractive targets, and we have limited experience in acquisitions. In addition, we may not be able to successfully acquire the targets identified despite spending significant amount of time and resources on pursuing such acquisition. Furthermore, integration of an acquired company, its

intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition may require, among other things, that we integrate and retain key management, sales and other personnel, integrate the acquired technologies or services from both an engineering and a sales and marketing perspective, integrate and support preexisting supplier, distribution and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions.

The geographic distance between companies, the complexity of the technologies and operations being integrated and the disparate corporate cultures being combined may increase the difficulties of integrating an acquired company or technology. In addition, it is common in our industry for competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition.

Our available cash and stock may be used for our future acquisitions, which will possibly result in significant acquisition-related charges to earnings and dilution to our shareholders. Future acquisitions will likely present challenges and could require that our management develop expertise in new areas, manage new business relationships and attract new collaboration partners. The diversion of our management's attention and any difficulties encountered in these acquisitions could have an adverse effect on our ability to effectively manage our own business. These acquisitions and equity investments may also expose us to other potential risks, including loss of the invested amounts, inability to earn an adequate return, unforeseen liabilities, diversion of resources from our existing businesses and potential harm to relationships with employees or customers.

Increased labor costs could slow our growth and affect our profitability.

Our operations require a sufficient number of qualified employees. In recent years, the average labor cost in the global pharmaceutical market has been steadily increasing as the competition for qualified employees has become more intense, according to the Frost & Sullivan Report. We cannot assure you that there will be no further increase in labor cost. If there is a significant increase in our labor cost, our operations and profitability may be adversely affected.

In addition, we adopted the Pre-IPO Incentivization Plan for the primary purpose of providing incentives and reward to employees of the Group. See Appendix V – Statutory and General Information – D. Share Incentivization Schemes – 1. Pre-IPO Incentivization Plan" in this prospectus for more details. We will not grant any further option under the Pre-IPO Incentivization Plan after the Listing, but we may grant more share options under the Post-IPO ESOP in the future. For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, we incurred RMB9.4 million, RMB28.1 million, RMB20.8 million and RMB37.7 million share-based compensation for stock options granted under our Pre-IPO Incentivization Plan respectively. Share options granted under our existing or future share-based compensation scheme could adversely affect our net income.

Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, litigation to which we subsequently become a party might result in substantial costs and divert management's attention and resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us 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.

Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our collaborators, our collaborators do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

A significant portion of our assets is denominated in foreign currencies.

Certain of our cash and cash equivalents, time deposits, other receivables, debt instruments measured at FVTOCI, other investments classified as financial assets measured at FVTPL and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We have incurred net foreign exchange gains of RMB14.7 million, losses of RMB29.5 million and gains of RMB132.9 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018. See note 7 in the Accountant's Report set out in Appendix I. We currently do not have a hedging policy, and the occurrence of any of future currency exchange rate fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our other gains and losses include fair value changes for derivative financial liabilities, which are subject to uncertainties in accounting estimation.

For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, we incurred losses on fair value changes of derivative financial liabilities of RMB6.2 million, RMB79.9million and RMB486.4 million, respectively. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. See "Financial Information – Critical Accounting Policies and Estimates – Fair value of derivative financial

liabilities." As such, the derivative financial liabilities valuation has been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these derivative financial liabilities and result in significant fluctuations in profit or loss from year to year.

RISKS RELATING TO OUR DOING BUSINESS IN CHINA

The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drug candidates.

We conduct almost all of our operations in China. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. In recent years, the regulatory framework in China regarding the pharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our drug candidates in China and reduce the benefits we believe are available to us from developing and manufacturing drugs in China.

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

A large portion of our operations are conducted in China through our PRC subsidiaries, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the nonbinding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

A draft of the proposed Foreign Investment Law is being considered and there are substantial uncertainties with respect to the enactment timetable and the final content of the Foreign Investment Law. If enacted as proposed, the Foreign Investment Law may materially impact our current corporate governance practices and business operations in many aspects and may increase our compliance costs. For instance, the proposed Foreign Investment Law would impose stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign invested entities. Depending on the seriousness of the circumstances, non-compliance with the information reporting obligations, concealment of information or providing misleading or false information could result in monetary fines or criminal charges. In addition, the draft Foreign Investment Law embodies an expected PRC regulation trend of rationalizing the foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Additionally, the NMPA's recent reform of the drug approval system may face implementation challenges. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our drug candidates in a timely manner.

In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

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

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in China, up to the amount of net assets held in each operating subsidiary.

In response to the persistent capital outflow in China and RMB's depreciation against the U.S. dollar, People's Bank of China, or PBOC, and the SAFE promulgated a series of capital control measures, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

The Enterprise Income Tax Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-PRC resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, or the Hong Kong Tax Treaty (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), the withholding tax rate on dividends paid by our PRC subsidiary to our Hong Kong subsidiary would generally be reduced to 5%, provided that our Hong Kong subsidiary is the beneficial owner of the PRC-sourced income and we have obtained the approval of the competent tax authority. On February 3, 2018, the State Administration of Taxation issued the Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement (關於税收協定中"受益所有人"有關問題的公告), also known as Circular 9, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner. There is no assurance that the reduced withholding tax rate will be available.

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

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. A portion of our revenue is denominated in RMB. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations. The RMB is currently convertible under the "current account", which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions", including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Our business benefits from certain discretionary financial incentives granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries as part of their efforts to encourage the development of local businesses, and we recognized RMB10.3 million and RMB2.7 million in government grant income for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively. See "Financial Information – Discussion of Certain Key Statement of Profit or Loss and Other Comprehensive Income Items – Other Income." The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

We are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China from time to time. Almost all of our assets and some of the assets of our management are located in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China 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 China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing 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 Chinese court is expressly designated as the court having sole jurisdiction for the dispute. On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (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 SAR and the Mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong SAR. The New Arrangement will, upon its effectiveness, supersedes the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

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

Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The State Administration of Foreign Exchange, or the SAFE, has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas 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 and deemed to have been evasive and (2) 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.

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

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations, however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such shareholders to comply with SAFE Circular 37 may result in restrictions on the foreign exchange activities of our PRC subsidiaries and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

We face uncertainty relating to PRC laws and regulations relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.

On February 3, 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《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》), or Circular 7, which supersedes 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》), or Circular 698, which was previously issued by the State Administration of Taxation on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of 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 Circular 7, transfers of PRC Taxable Assets 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 value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC Taxable Assets; (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 PRC Taxable Assets, 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 PRC Taxable

Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their 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 PRC Taxable Assets 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 "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market", or the Public Market Safe Harbor, which is determined by whether the parties, 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 market 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 "Information about this Prospectus and the Global Offering" in this prospectus, 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.

Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under China's Enterprise Income Tax Law, or the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise", meaning that it will be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. Under tax circular issued by the PRC State Administration of Taxation on April 22, 2009, or Circular 82, dividends and other distributions paid by resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. The implementing rules of the EIT Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, Circular 82 specifies that certain China-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. On July 27, 2011, the PRC State Administration of Taxation issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which the competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration.

Currently, most of the members of our management team as well as the management team of some of our offshore holding companies are located in China. However, Circular 82 and Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign corporations like us. In the absence of detailed implementing regulations or other guidance determining that offshore companies controlled by PRC individuals or foreign corporations like us are PRC resident enterprises, we do not currently consider our Company or any of our overseas subsidiaries to be a PRC resident enterprise.

Despite the foregoing, the SAT may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by a PRC enterprise or enterprise group would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise or enterprise group like us. Finally, the EIT Law and its implementing rules issued by PRC tax authorities provide that dividends paid by us to our non-PRC shareholders and, while less clear, capital gains recognized by them with respect to the sale of our Shares may be subject to tax of 10% for non-PRC resident enterprise shareholders and 20% for non-PRC resident individual shareholders. In the case of dividend payments, such PRC tax may be withheld at source.

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

The PRC government imposes controls on the convertibility of foreign currencies into Renminbi. Under China's existing foreign-exchange regulations, foreign-exchange transactions under capital accounts continue to be subject to significant foreign-exchange controls and require the registration with, and approval of, PRC governmental authorities. In particular, if one subsidiary receives foreign-currency loans from us or other foreign lenders, these loans must be registered with SAFE or its local counterparts. If we finance such subsidiary by means of additional capital contributions, these capital contributions must be filed with or approved by certain government authorities, including the Ministry of Commerce or its local counterparts.

In August 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or SAFE Circular No. 142, providing that the Renminbi capital converted from foreign-currency-registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC.

On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which came into force and superseded SAFE Circular 142 from June 1, 2015. On June 9, 2016, SAFE further promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are expected to be lifted. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. Considering that SAFE Circular 19 and SAFE Circular 16 are relatively new, it is unclear how they will be implemented, and there exists high uncertainties with respect to its interpretation and implementation by authorities. For example, under SAFE Circular 19 and SAFE Circular 16, we may still not be allowed to convert foreign currency-registered capital of our PRC subsidiaries which are foreign-invested enterprises into RMB capital for securities investments or other finance and investment except for principal-guaranteed bank products. Further, SAFE Circular 19 and SAFE Circular 16 restrict a foreign-invested enterprise from using Renminbi converted from its registered capital to provide loans to a its non-affiliated company.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

The political relationships between China and other countries may affect our business operations.

During the Track Record Period, we have formed partnerships with entities in foreign countries and regions, in particular the United States, and establishing new collaboration partnerships is key to our future growth. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the prospects of maintaining existing or establishing new collaboration partnerships. There can be no assurance that potential collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our drug candidates, the results of our applications for approval of our drug candidates, regulatory developments affecting the pharmaceutical industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. 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.

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

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

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

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

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. As at the Latest Practical Date, the aggregate number of underlying Shares pursuant to the outstanding options and RSUs granted under the Pre-IPO Incentivization Plan are 37,676,840 Shares and 39,870,164 Shares, representing approximately 3.83% and 4.05% of the total issued Shares immediately following the completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Share Incentivization Schemes. In addition, the board of our Company has resolved in January 2019 to approve granting of share awards equivalent to 36,215,436 Shares (taking into effect the Capitalization Issue) to our senior management and employees, with the relevant share awards grant letters to be entered into at a time that the Company decides as appropriate. The total number of Shares issuable under the Post-IPO ESOP and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 98,405,153 Shares excluding any Shares which may be issued upon the exercise of the Over-allotment Option. We may continue to issue Shares pursuant to the Share Incentivization Schemes, which would further dilute Shareholders' interests in our Company. For details, please refer to the section headed "Statutory and General Information – D. Share Incentivization Schemes" in Appendix V in this prospectus.

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

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

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

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

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

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

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

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or Controlling Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction such shareholders are located in.

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

Facts, forecasts and statistics in this document relating to the pharmaceutical industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators, the Joint Sponsors, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this document relating to the pharmaceutical industry in and outside China may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

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

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

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

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The headquarters and its business operations are based, managed and conducted in the PRC. Currently, the sole executive Director of the Company ordinarily resides in the PRC. The senior management team is based in the PRC and they manage the Group's business operations from the PRC. Historically, the board has typically met in the PRC. As the executive Director and the senior management team play very important roles in the Company's business operations, the Company considers that it is in the best interests of the Company for the executive Director and the senior management team to be based in the places where the Group has significant operations. As such, the Company does not, and will not for the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board and Ms. Yeung Ching Man, our company secretary, to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange;

- we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, fax number and email addresses) to each of the authorised representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorised representatives, the alternate representative and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are travelling;

- we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

- we have retained the services of the Compliance Adviser, in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser, among other things, will serve as an additional channel of communication in addition to the authorised representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules and will be available to respond to enquiries from the Stock Exchange. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice in compliance with Rule 3A.23 of the Listing Rules; and

- meetings between the Stock Exchange and the Directors could be arranged through the authorised representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO INCENTIVIZATION PLAN

Under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and the paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given (the "**Share Incentive Disclosure Requirements**"). According to the Guidance Letter HKEX-GL11-09 (July 2009) (Updated in March 2014), the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Incentivization Plan to 157 grantees, including one Director, four members of the senior management and 152 other employees of our Group (who were granted options to subscribe for 8,633,336 Shares, 9,114,616 Shares and 19,928,888 Shares, respectively), to subscribe for an aggregate of 37,676,840 Shares taking into account the effect of the Capitalization Issue, representing approximately 3.83% of the total number of Shares in issue immediately after completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes), on the terms set out in the section headed "Statutory and General Information – D. Share Incentivization Schemes – 1. Pre-IPO Incentivization Plan" in Appendix V in this prospectus.

Assuming full exercise of options currently outstanding as at the Latest Practicable Date under the Pre-IPO Incentivization Plan, the shareholding of our Shareholders immediately following the Global Offering will be diluted by approximately 3.83% if calculated on the basis of 984,051,532 Shares in issue immediately following completion of the Global Offering, the Capitalization Issue and assuming that the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued pursuant to the Share Incentivization Schemes. The consequent impact on the earnings per ordinary share for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018 is nil, nil and nil respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(a) material information relating to the options under the Pre-IPO Incentivization Plan will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Incentivization Plan and the exercise price per Share (if applicable);

(b) given that 157 option grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the option grantees under the Pre-IPO Incentivization Plan in the prospectus would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;

(c) as of the Latest Practicable Date, among all the option grantees, there are one Director and four senior management and the remaining 152 option grantees are only employees of our Group who are independent third parties, and strict compliance with the Share Incentive Disclosure Requirements to disclose names, addresses, and entitlements on an individual basis in this prospectus will therefore require substantial number of pages of additional disclosure that does not provide any meaningful information to the investing public;

(d) the grant and exercise in full of the options under the Pre-IPO Incentivization Plan will not cause any material adverse impact to the financial position of our Company; and

(e) the lack of full compliance with the above disclosure requirements would not prevent the potential investors from making an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company.

The Directors consider that the information available as of the Latest Practicable Date that is reasonably necessary for potential investors to make an informed assessment of the Company in their investment decision making process has been included in this prospectus. In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

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

(a) full details of the options granted under the Pre-IPO Incentivization Plan to each of the Director, the senior management and any other connected persons of the Company will be disclosed in the section headed "Statutory and General Information – D. Share Incentivization Schemes – 1. Pre-IPO Incentivization Plan" in Appendix V in this prospectus as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, along with those of any other grantee(s) who received options to subscribe for 1,200,000 Shares or above, representing approximately 0.12% of the total number of Shares in issue immediately after completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes);

(b) in respect of the options granted under the Pre-IPO Incentivization Plan to the remaining option grantees (being the other option grantees who are not Director, the senior management, other connected persons of the Company or other grantee(s) who received options to subscribe for 1,200,000 Shares or above), disclosure will be made, on an aggregate basis, of (1) their aggregate number of option grantees and number of Shares underlying the options under the Pre-IPO Incentivization Plan, (2) any consideration paid for the grant of the options under the Pre-IPO Incentivization Plan and (3) the exercise period and the exercise price of the options granted under the Pre-IPO Incentivization Plan;

(c) there will also be disclosure in this prospectus for the aggregate number of Shares underlying the Pre-IPO Incentivization Plan and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date;

(d) the dilutive effect and impact on earnings per Share upon full exercise of the options under the Pre-lPO lncentivization Plan shall be disclosed in this prospectus;

(e) a summary of the major terms of the Pre-IPO Incentivization Plan will be disclosed in the section headed "Statutory and General Information – D. Share Incentivization Schemes – 1. Pre-IPO Incentivization Plan" in Appendix V in this prospectus;

(f) a list of all the option grantees (including those persons whose details have already been disclosed in this prospectus) who have been granted the options under the Pre-IPO Incentivization Plan, containing all the particulars as required under the Share Incentive Disclosure Requirements, will be made available for public inspection in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI in this prospectus;

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

(h) the particulars of the waiver will be disclosed in this prospectus.

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

(a) full details of the options and under the Pre-IPO Incentivization Plan granted to each of our Director, the senior management of our Group and any other connected persons of the Company will be disclosed in the section headed "Statutory and General Information – D. Share Incentivization Schemes – 1. Pre-IPO Incentivization Plan" in Appendix V in this prospectus, as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, along with those of any other grantee(s) who received options to subscribe for 1,200,000 Shares or above, representing approximately 0.12% of the total number of Shares in issue immediately after completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes);

(b) in respect of the options granted under the Pre-IPO Incentivization Plan to the remaining option grantees (being the other option grantees who are not Director, the senior management, other connected persons of the Company or other grantee(s) who received options to subscribe for 1,200,000 Shares or above), disclosure will be made, on an aggregate basis, on (1) their aggregate number of grantees and the number of Shares underlying the options under the Pre-IPO Incentivization Plan, (2) any consideration paid for the grant of the options under the Pre-IPO Incentivization Plan and (3) the exercise period and the exercise price for the options granted under the Pre-IPO Incentivization Plan;

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

(d) the particulars of the exemption will be disclosed in this prospectus.

Further details of the Pre-IPO Incentivization Plan are set forth in the section headed "Statutory and General Information – D. Share Incentivization Schemes – 1. Pre-IPO Incentivization Plan" in Appendix V in this prospectus.

EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS PROSPECTUS

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a company to include in its prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance further requires a company to include in its prospectus a report by the auditors of the company with respect to (i) the profits and losses of the Company for each of three financial years immediately preceding the issue of the prospectus and (ii) the assets and liabilities of the Company as at the end of each of the three financial years immediately preceding the issue of the prospectus.

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

The Company is a drug-development company currently focused on innovative immuno-oncology drugs. The Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is seeking a listing under Chapter 18A. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to listing, under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead be references to "two financial years" or "two years", as the case may be.

Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the accountants' report of the Company is currently prepared to cover the two financial years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018.

As such, the Joint Sponsors have applied on behalf of the Company to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of the accountants' report covering the full three financial years immediately preceding the issue of this prospectus on the following grounds:

(a) the Company is primarily engaged in the research and development, application and commercialization of biotech products, and falls within the scope of Biotech Company as defined under Chapter 18A of the Listing Rules. The Company will fulfil the additional conditions for listing required under Chapter 18A;

(b) as of the Latest Practicable Date, we have not commercialized any products and therefore did not generate any revenue from product sales. Major financing activities conducted by us since our incorporation include our Pre-IPO Investments, the details of which have been fully disclosed in the section headed "History, Development and Corporate Structure" in this prospectus;

(c) notwithstanding that the financial results set out in this prospectus are only for the two financial years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements. Therefore, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for the Company;

(d) the accountants' report covering the two financial years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, together with other disclosure in this prospectus, has already provided adequate and reasonable up-to-date information in the circumstances for the potential investors to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of the Company. Therefore, the exemption would not prejudice the interest of the investing public.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that particulars of the exemption are set out in this prospectus.

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

The Accountants' Report set out in Appendix I to this prospectus contains the audited consolidated results of our Group for the two years ended December 31, 2017 and the nine months ended September 30, 2018. The Loss Estimate set out in Appendix III to this prospectus contains the Loss Estimate for the year ended December 31, 2018 which is estimated by the Directors based on the audited results for the nine months ended September 30, 2018 and the management accounts for the three months ended December 31, 2018.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus be included in the Accountants' Report to this prospectus.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountant's report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that we set out in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this prospectus.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that we include in this prospectus a report by the auditors with respect to the profit and loss of our Group for each of the three financial years ended immediately preceding the issue of this prospectus and the assets and liabilities of our Group as at the end of each of the three financial years ended immediately preceding the issue of this prospectus.

An application has also been made to the to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules in relation to the inclusion of the Accountants' Report for the full financial year ended December 31, 2018 in this prospectus on the following grounds:

(a) our Directors and the Joint Sponsors consider that after performing sufficient due diligence work on the loss estimate as contained in Appendix III to this prospectus, there has been no material adverse change in the financial and trading positions or prospect of our Group since September 30, 2018 up to December 31, 2018. Although there is an estimated loss of not more than RMB638 million for the Group for the three months ended December 31, 2018, this loss is mainly due to loss on fair value changes of derivative financial liabilities and research and development expenses for advancing the Company's pipeline. There is no event which would materially affect the information contained in the Accountants' Report and the loss estimate of our Group in this prospectus. Our Directors and the Joint Sponsors consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this prospectus. Our Directors and the Joint Sponsors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules would not prejudice the interests of the investing public;

(b) our Company shall be listed on the Stock Exchange within three months after December 31, 2018, being the latest financial year end of our Company;

(c) this prospectus contains a statement from our Directors that there has been no material adverse change to the financial and trading positions or prospect of our Group since September 30, 2018 (being the date of which the latest audited consolidated financial statement of our Group were made up) and up to December 31, 2018;

(d) in accordance with Guidance Letter HKEX-GL-25-11, an estimate of the consolidated profit of our Group for the year ended December 31, 2018 has been included in this prospectus. Investing public would thus be given some guidance as to our Company's financial performance for the year ended December 31, 2018; and

(e) our Company shall publish its annual results and annual report within the time prescribed under the Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively.

The Stock Exchange has granted us a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year end of the Company (i.e. on or before March 31, 2019); (ii) we have obtained a certificate of exemption from the SFC from similar requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (iii) a loss estimate for the financial year ended December 31, 2018 in compliance with Rules 11.17 to 11.19 of the Listing Rules shall be included in this prospectus; and (iv) a Directors' statement that there is no material adverse change to our financial and trading positions or prospects with specific reference to the trading results from September 30, 2018 to December 31, 2018 shall be included in this prospectus.

In connection with a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance mentioned above, an application has been made to the SFC for the certificate of exemption from strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the Accountants' Report for the full financial year ended December 31, 2018 in this prospectus on the following grounds:

(a) our Directors and the Joint Sponsors consider that, after performing sufficient due diligence work, there has been no material adverse change in the financial and trading positions or prospect of our Group since September 30, 2018 up to December 31, 2018 and that there is no event which would materially affect the information contained in the Accountants' Report and the loss estimate of our Group in this prospectus. Our Directors and the Joint Sponsors consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this prospectus;

(b) our Directors and the Joint Sponsors believe that an exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interests of the investing public; and

(c) strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome in order for the audited results of our Group for the year ended December 31, 2018 to be finalised shortly after the 2018 year end. If the full year results of our Group for 2018 are to be included in this prospectus, there will be a considerable delay in the listing timetable. If the financial information is required to be audited up to December 31, 2018, our Company and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the Accountants' Report to cover such additional period within a short period of time.

Our Directors consider that the benefits of such work to the prospective investors of our Company may not justify the additional work and expenses involved and the delay in the listing timetable, given that it is expected that there would be no significant change in the financial position of our Group since September 30, 2018, being the expiry of the period reported on by Deloitte Touche Tohmatsu, our Company's reporting accountants.

A certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) this prospectus will be issued on or before February 28, 2019 and the Shares will be listed on or before March 31, 2019; and (ii) the particulars of the exemption are set out in this prospectus.

Our Directors have confirmed that they have ensured that sufficient due diligence has been performed and that up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since September 30, 2018 (being the date to which the latest consolidated financial statements of our Group were made up), including the three months up to December 31, 2018 and there has been no event since September 30, 2018, including the three months up to December 31, 2018 which would materially affect the information shown in the Accountants' Report (as set out in Appendix I to this prospectus). Based on the due diligence work performed by the Joint Sponsors so far, nothing has come to the attention of the Joint Sponsors for them to cast doubt on the views of our Directors expressed above. The above confirmation of no material adverse change is based on the fact that loss incurred by the Company for the nine months ended September 30, 2018 was RMB1,162 million as set out in the accountant's report in Appendix I of this prospectus and the loss incurred by the Company for the year ended December 31, 2018 was not more than RMB1,800 million as set out in the loss estimate in Appendix III of this prospectus. Based on the management account for the year ended December 31, 2018, the major reasons for the increase in loss estimate were contributed by the increase in fair value loss on the derivative financial liabilities by RMB400 million from RMB486 million for the nine months ended September 30, 2018 to RMB886 million for the year ended December 31, 2018, which is in line with the expectation of the Company.

CORNERSTONE SUBSCRIPTION BY CORE CONNECTED PERSONS AND/OR EXISTING SHAREHOLDERS DURING A LISTING APPLICATION PROCESS

Rule 9.09 of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer, in the case of a new applicant, from four clear Business Days before the expected hearing date until listing is granted (the "**Relevant Period**").

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

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

Our Company has applied for a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to allow Boyu Capital Opportunities Master Fund (a close associate of Graceful Beauty Limited, an existing shareholder and core connected person of the applicant), Tetrad Ventures Pte Ltd (an existing shareholder) and GIC Private Limited (a close associate of Tetrad Ventures Pte Ltd) (the "**Participating Shareholders**") to subscribe for Shares as cornerstone investors in the Global Offering. Additionally, the Company has applied for a waiver from strict compliance with the requirements under Rule 9.08 to allow Boyu Capital Opportunities Master Fund to subscribe for Shares as a cornerstone investor during the Relevant Period. The Stock Exchange has granted the requested waivers and consents subject to the conditions that:

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

(b) the Offer Shares to be subscribed by and allocated to the Participating Shareholders in the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month lock up arrangement following the Listing); and

(c) details of the subscription of the Offer Shares by the Participating Shareholders in the Global Offering as cornerstone investors will be disclosed in this prospectus and the allotment results announcement of the Company.

For further information about the cornerstone investments of the Participating Shareholders, please refer to the section headed "Our Cornerstone Investors" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our 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.

GLOBAL OFFERING

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 contain 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 authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers 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. Pursuant to the 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, subject to agreement 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 about the Price Determination Date.

The Offer Price is expected to be determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, February 19, 2019 and, in any event, not later than Monday, February 25, 2019 (unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before Monday, February 25, 2019, the Global Offering will not become unconditional and will lapse immediately.

See the section headed "Underwriting" in this prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

SELLING RESTRICTIONS ON OFFERS AND SALE 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/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares or conversion of Preferred Shares) and to be issued pursuant to (i) the Global Offering; (ii) the Capitalization Issue; (iii) the Over-allotment Option; and (iv) the Share Incentivization Schemes.

Dealings in the Shares on the Stock Exchange are expected to commence on February 26, 2019. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B (1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure of the Global Offering" in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue up to an additional 27,959,000 new Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance 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.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Walkers Corporate Limited, in the Cayman Islands. Our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasised that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

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

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

RMB0.8551	to HK$1.00
RMB6.7426	to US$1.00
HK$ 7.8468	to US$1.00

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

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus that are not in the English language and are English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Director		
Dr. FRANK NINGJUN JIANG	4288 Long Dong Ave. #221 Pudong District Shanghai PRC	American
Non-executive Directors		
Dr. WEI LI	19 Prentiss Lane Belmont MA 02478 United States of America	American
Mr. QUN ZHAO (趙群)	Room 2403 Building #66, Block B Baitang Jingyuan Phase III Baitang Road Wuzhong District, Suzhou City Jiangsu Province PRC	Chinese
Mr. XIAOMENG TONG (童小幪)	Flat B, 45/F, South Tower 8 Residence Bel-Air No 38 Bel-Air Avenue Pokfulam Hong Kong	Chinese (Hong Kong)
Mr. GUOBIN ZHANG (張國斌)	35 Amber Gardens #15-09 Singapore 439966	Singaporean
Dr. LIAN YONG CHEN	2001 Longdong Avenue #65 Pudong New District Shanghai, 201203 PRC	American

Name	Address	Nationality
Independent Non-executive Directors		
Dr. PAUL HERBERT CHEW	1 Brookdale Dr Lawrenceville NJ 08648-5545 United States of America	American
Mr. TING YUK ANTHONY WU (胡定旭)	Room 4330 Four Seasons Place 8 Finance Street Central Hong Kong	Chinese (Hong Kong)
Mr. HONGBIN SUN (孫洪斌)	Room 104, No. 52, Lane 333 Dongchuan Road Shanghai PRC	Chinese

Please refer to the section headed "Directors and Senior Management" in this prospectus for further information with respect to our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators
(in alphabetical order)

Goldman Sachs (Asia) L.L.C.
59/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Global Coordinators	**UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Joint Bookrunners	**Goldman Sachs (Asia) L.L.C.** 59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only) 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

Joint Lead Managers

Goldman Sachs (Asia) L.L.C.
59/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering only)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

Legal Advisers to our Company

As to Hong Kong law and United States law:

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law:

Fangda Partners
24/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai
PRC

As to Cayman Islands law:

Travers Thorp Alberga
Harbour Place, 2nd Floor
PO Box 472
103 South Church Street
Grand Cayman, KY1-1106
Cayman Islands

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong law and United States law:

Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng
Suite 45/F, K.Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai 200031
PRC

Reporting Accountants and Auditors	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Admiralty Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1014 – 1018, Tower B Greenland Center 500 Yunjin Road Xuhui District Shanghai, 200232 PRC
Receiving Bank	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Registered Office	The offices of Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Head Office and Principal Place of Business in China	1000 Zhangheng Road Building 25 Pudong New District Shanghai, 201203 PRC
Principal Place of Business in Hong Kong	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.cstonepharma.com** *(The information contained in this website does not form part of this prospectus.)*
Company Secretary	Ms. Yeung Ching Man (楊靜文) *Member of the Hong Kong Institute of Certified Public Accountants* 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Hongbin Sun (孫洪斌) (chairman) Mr. Ting Yuk Anthony Wu (胡定旭) Dr. Paul Herbert Chew
Compensation Committee	Mr. Ting Yuk Anthony Wu (胡定旭) (chairman) Dr. Wei Li Dr. Paul Herbert Chew
Nomination Committee	Dr. Frank Ningjun Jiang (chairman) Mr. Xiaomeng Tong (童小幪) Dr. Paul Herbert Chew Mr. Hongbin Sun (孫洪斌) Mr. Ting Yuk Anthony Wu (胡定旭)

Strategy Committee	Dr. Frank Ningjun Jiang (chairman) Dr. Lian Yong Chen Dr. Paul Herbert Chew
Authorized Representatives	Dr. Frank Ningjun Jiang 4288 Long Dong Ave. #221 Pudong District Shanghai PRC Ms. Yeung Ching Man (楊靜文) 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Compliance Adviser	Somerley Capital Limited 20/F China Building 29 Queen's Road Central Hong Kong
Principal Share Registrar	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	Silicon Valley Bank 3003 Tasman Dr. Santa Clara, CA 95054 China Construction Bank Industrial Park of Suzhou Branch No. 1133 Dong Huan Road Suzhou PRC

OVERVIEW

We are a clinical-stage biopharmaceutical company focused on the development and commercialization of innovative immuno-oncology drugs and molecularly targeted drugs. Our Company was founded by WuXi Healthcare Ventures, a healthcare focused investment fund and a Controlling Shareholder of our Company, as a financial investment. For the background and relevant industry experience of WuXi Healthcare Ventures, please refer to the subsection headed "Pre-IPO Investments" in this section and the section headed "Relationship with Controlling Shareholders" in this prospectus. Our vision is to become globally recognized as a leading Chinese biopharmaceutical company.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on December 2, 2015. We started our research and development operations in the PRC in 2016, focusing on developing high quality immuno-oncology therapeutics. Over the last few years, we have developed into a biopharmaceutical company with a broad portfolio, which consists of internally developed and clinical-stage drug candidates.

OUR BUSINESS MILESTONES

The following sets forth certain key business development milestones of our Group:

December 2015	• The Company was incorporated in the Cayman Islands.
March 2016	• The Company commenced the process of the Series A-1 to A-3 rounds of financing which in aggregate raised approximately US$150 million.
April 2016	• CStone Suzhou was established in Suzhou, China.
June 2017	• The Company received IND approval from the NMPA for clinical studies in China for its full-length and fully-human PD-L1 monoclonal antibody (CS1001).
October 2017	• CStone Suzhou Translational Medicine Research Center was established and commenced operations.
	• Phase I clinical trial of full-length and fully-human PD-L1 (CS1001) was launched and the first patient was dosed in China.

April 2018	• The Company commenced the process of the Series B round of financing raising in aggregate approximately US$262 million, which was the largest of series B financing in the biopharmaceutical sector in China at the time.
April and May 2018	• Phase I clinical studies of the CTLA-4 antibody (CS1002) and the PD-1 antibody (CS1003) commenced in Australia.
May 2018	• Phase I clinical studies of MEK inhibitor (CS3006) in Australia were initiated and the first patient was dosed.
June 2018	• The Company and Blueprint entered into the Blueprint Agreement concerning the clinical development and commercialization of avapritinib CS3007 (BLU-285), CS3008 (BLU-554) and CS3009 (BLU-667) in China, Hong Kong SAR, Macau SAR, and Taiwan, as a monotherapy or in combination with other therapies.
	• The Company and Agios entered into the Agios Agreement concerning the clinical development and commercialization of ivosidenib (CS3010, AG-120) in China, Hong Kong SAR, Macau SAR and Taiwan, as a monotherapy or in combination with other therapies.
	• The Company launched two Phase II clinical trials of CS1001 (PD-L1 antibody) in China for the treatment of patients with cHL and NKTL and first patient was dosed.
	• The Company received IND approval from the NMPA for clinical studies in China of CS1003, a monoclonal antibody against PD-1 developed by the Company.
July 2018	• The U.S. FDA approved TIBSOVO (ivosidenib), a product developed by Agios to cure adult patients with relapsed or refractory acute myeloid leukemia.
	• The Company received IND approval from the NMPA for clinical studies in China of CS3006, a MEK inhibitor developed by the Company.

August 2018	• The Company received IND approval from the NMPA for clinical trials in China of CS1002, a CTLA-4 monoclonal antibody developed by the Company. • The CTA approval from the NMPA for Phase III (AGILE) global studies of TIBSOVO (ivosidenib), a product developed by the Agios, was received.
October 2018	• The Company launched a Phase III clinical trial of CS1001 in combination with standard-of-care therapy in China for the treatment of patients with Stage III NSCLC. • The Company initiated a Phase I clinical trial of CS3006 (MEK inhibitor) as a single agent in patients with solid tumors in China.

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities and the dates of incorporation of the major subsidiaries of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of company	Place of incorporation	Date of incorporation and commencement of business	Principal business activities
CStone Pharmaceuticals (Suzhou) Co., Ltd. (基石藥業(蘇州)有限公司)	Suzhou, China	April 21, 2016	Drug research and development and production and the commercialization of original products produced by the company
Tuo Shi Pharmaceuticals (Shanghai) Co., Ltd. (拓石藥業(上海)有限公司)	Shanghai, China	March 29, 2016	Medical and biotechnological development, technical consultation, technical service, technological transfer, corporate management consultation and commercial information consultation

MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

Our business operations were primarily conducted through our major operating subsidiaries, CStone Suzhou and CStone Shanghai. The following sets forth the major corporate history and shareholding changes of our Company and our major operating subsidiaries.

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on December 2, 2015 with an authorised share capital of US$50,000 divided into 500,000,000 Shares of a par value of US$0.0001 each.

Our Company in turn established CStone HK in Hong Kong on December 23, 2015 and commenced the formation of our PRC subsidiaries and operations.

(i) Initial Issuances of Ordinary Shares

On March 5, 2016, our Company allotted and issued 39,999,999 Shares to WuXi Healthcare Ventures at the subscription price of US$400,000 in aggregate, such that an aggregate of 40,000,000 Shares were in issue and held by WuXi Healthcare Ventures as follows:

Name of Shareholder	Number of Ordinary Shares	Purchase Amount
		(US$)
WuXi Healthcare Ventures	40,000,000	400,000
Total	**40,000,000**	**400,000**

(ii) Series A-1 and Series A-2 Financing

On March 4, 2016, our Company and CStone HK entered into the Series A Share Purchase Agreement with WuXi Healthcare Ventures, Zhengze Yuanshi and Graceful Beauty Limited respectively as investors, pursuant to which the investors agreed to subscribe from the Company an aggregate of 45,000,000 Series A-1 Preferred Shares and 52,500,000 Series A-2 Preferred Shares in two stages pursuant to the terms and subject to the conditions set forth therein.

Accordingly, an aggregate of 45,000,000 Series A-1 Preferred Shares were issued to WuXi Healthcare Ventures, Zhengze Yuanshi and Graceful Beauty Limited on April 1, 2016 at the price of US$1.00 per share and a total consideration of US$45,000,000 at first closing. An aggregate of 30,000,000 Series A-2 Preferred Shares were issued to WuXi Healthcare Ventures, Graceful Beauty Limited and Fay Xing respectively on December 1, 2016 at a price of US$2.00 per share and total consideration of US$60,000,000 at second closing.

Name of Shareholder (Initial Closing)	**Number of Series A-1 Preferred Shares**	**Purchase Amount**
		(US$)
WuXi Healthcare Ventures	25,000,000	25,000,000
Zhengze Yuanshi	10,000,000	10,000,000
Graceful Beauty Limited	10,000,000	10,000,000
Total	**45,000,000**	**45,000,000**

Name of Shareholder (Second Closing)	**Number of Series A-2 Preferred Shares**	**Purchase Amount**
		(US$)
WuXi Healthcare Ventures	7,462,500	14,925,000
Graceful Beauty Limited	22,500,000	45,000,000
Fay Xing	37,500	75,000
Total	**30,000,000**	**60,000,000**

Additional 22,500,000 Series A-2 Preferred Shares were reserved for the issuance to Zhengze Yuanshi pursuant to the arrangements under an option agreement entered into between our Company, certain of its subsidiaries and Zhengzhi Yuanshi dated November 3, 2016.

An aggregate of 37,500 Series A-2 Preferred Shares were repurchased by the Company from Fay Xing at the consideration of US$75,000 and such repurchased Preferred Shares were immediately cancelled by the Company on November 8, 2018.

(iii) Series B Financing

On April 28, 2018, the Company and its subsidiaries entered into the Series B Share Purchase Agreement with the then Series B Preferred Shareholders, pursuant to which the then Series B Preferred Shareholders agreed to subscribe for a maximum of 45,908,818 Series B Preferred Shares in aggregate to be issued by our Company at a subscription price of approximately US$5.66 per share and an aggregate consideration of approximately US$260 million. The Series B Preferred Shares were issued in full on May 8, 2018 as set forth in the table below.

Name of Shareholder	Number of Series B Preferred Shares	Purchase Amount
		(US$)
WuXi Healthcare Ventures	882,861	4,999,994.99
6 Dimensions Capital, L.P.	3,354,875	18,999,999.08
6 Dimensions Affiliates Fund, L.P.	176,572	999,997.87
Graceful Beauty Limited	4,237,737	23,999,999.73
Tetrad Ventures Pte Ltd	8,828,618	49,999,995.19
Hikeo Biotech L.P.	1,589,151	8,999,997.78
Pure Progress International Limited	1,765,723	9,999,995.64
Kaitai International Funds SPC	882,861	4,999,994.99
Taikang Kaitai (Cayman) Special Opportunity I	2,648,585	14,999,996.29
CJS Medical Investment Limited	3,531,447	19,999,996.94
SCC Growth IV Holdco G, Ltd.	5,297,171	29,999,998.25
YF IV Checkpoint Limited	5,297,171	29,999,998.25
HH CST Holdings Limited	1,765,723	9,999,995.64
ARCH Venture Fund IX, L.P.	441,430	2,499,994.67
ARCH Venture Fund IX Overage, L.P.	1,324,292	7,499,995.32
Terra Magnum CST LLC	353,144	1,999,995.73
3W Partners Fund II, L.P.	882,861	4,999,994.99
Huifu Investments Limited	882,861	4,999,994.99
King Star Med LP	1,765,723	9,999,995.64
Total	**45,908,806**	**259,999,931.98**

On September 23, 2018, the Company and Golden & Longevity Portfolios L.P. entered into a purchase agreement, pursuant to which Golden & Longevity Portfolios L.P. agreed to purchase 332,165 Series B Preferred Shares at the aggregate purchase price equivalent to approximately US$1.88 million. In addition, Golden & Longevity Portfolios L.P. agreed to, among other things, be bound by the terms and conditions under the Series B Share Purchase Agreement and the Shareholders Agreement.

(iv) Series A-3 Financing

Pursuant to the Series B Share Purchase Agreement, the Company and Zhengze Yuanshi agreed that (i) the Company will cancel the 22,500,000 Series A-2 Preferred Shares previously reserved for issuance to Zhengze Yuanshi; (ii) the Company will issue, and Zhengze Yuanshi or its affiliate(s) will subscribe for 7,945,757 Series A-3 Preferred Shares of the Company at a price of approximately US$5.66 per share for an aggregate price of US$45,000,000; (iii) the consideration for the Series A-3 Preferred Shares will be used by the Company to acquire, through CStone HK, the minority equity interests in CStone Suzhou held by Zhengze Yuanshi, resulting in CStone Suzhou being an indirect wholly-owned subsidiary of the Company; and (iv) the Company will repurchase and cancel 10,000,000 Series A-1 Preferred Shares from Zhengze Yuanshi in consideration of the issuance of 24,554,243 Series A-4 Preferred Shares to Zhengze Yuanshi, based on a total deemed value of US$10 million at approximately US$0.41 per Series A-4 Preferred Share.

Accordingly, the relevant parties entered into the Series A Preferred Shares Agreement on August 3, 2018 detailing the arrangements above. On August 22, 2018, an aggregate of 7,945,757 Series A-3 Preferred Shares were issued to affiliates of Zhengze Yuanshi, namely Oriza Seed Fund I L.P. and Hikeo Biotech L.P. at the price of approximately US$5.66 per share and an aggregate consideration equivalent to US$45,000,000.20.

Name of Shareholder	Number of Series A-3 Preferred Shares	Purchase Amount
		(US$)
Oriza Seed Fund I L.P.	2,472,014	14,000,004.09
Hikeo Biotech L.P.	5,473,743	30,999,996.11
Total	**7,945,757**	**45,000,000.20**

CStone HK used the consideration of US$45,000,000 from the subscription of Series A-3 Preferred Shares to pay Zhengze Yuanshi as the consideration of the transfer of all of its equity interests in CStone Suzhou to CStone HK. For more information about CStone Suzhou, please see the subsection headed "Major Corporate Development and Shareholding Changes of our Group – CStone Suzhou" in this section.

(v) Post Financing Restructuring

Pursuant to the Series A Preferred Shares Agreement, Zhengze Yuanshi shall transfer, convey and assign all of its right, title and interest in the 10,000,000 Series A-1 Preferred Shares held by Zhengze Yuanshi to the Company free from encumbrance in exchange for 24,554,243 Series A-4 Preferred Shares. Accordingly, on August 22, 2018, an aggregate of 24,554,243 Series A-4 Preferred Shares were issued to Zhengze Yuanshi. The Series A-4 Preferred Shares issued in exchange for the Series A-1 Preferred Shares shall have a deemed value of approximately US$0.41 per Series A-4 Preferred Share.

Name of Shareholder	Number of Series A-4 Preferred Shares	Deemed Purchase Amount
		(US$)
Zhengze Yuanshi	24,554,243	10,000,000
Total	**24,554,243**	**10,000,000**

For further details of the allotment and issue described above, please refer to the subsection headed "– Pre-IPO Investments" in this section.

CStone Suzhou

On April 21, 2016, CStone Suzhou was established in the PRC as a WFOE by CStone HK. The principal business of CStone Suzhou is drug research and development and production and the commercialization of original products produced by the company.

On November 3, 2016, CStone Suzhou, CStone HK and others entered into a capital increase subscription agreement with Zhengze Yuanshi as an investor, pursuant to which the registered capital of CStone Suzhou was increased from US$17,000,000 to US$19,897,727, and Zhengze Yuanshi agreed to subscribe for additional registered capital of US$2,897,727 in CStone Suzhou. Upon completion, CStone Suzhou was owned by CStone HK as to approximately 85.44% and by Zhengze Yuanshi as to approximately 14.56%. Accordingly, CStone Suzhou was converted from a WFOE into a joint venture with a total registered capital of US$19,897,727.

CStone Suzhou further increased its registered capital pursuant to a capital increase subscription agreement dated June 4, 2018 entered into between CStone HK and CStone Suzhou. Upon completion of the above changes, CStone Suzhou had a total registered capital of US$23,761,363 and was owned by CStone HK as to approximately 87.80% and by Zhengze Yuanshi as to approximately 12.20%.

On August 3, 2018, Zhengze Yuanshi entered into a share transfer agreement with, among others, CStone HK, pursuant to which Zhengze Yuanshi agreed to transfer to CStone HK all of its equity interests in CStone Suzhou, and as a result, CStone Suzhou became an indirect wholly-owned subsidiary of our Company on September 6, 2018. CStone HK has paid to

Zhengze Yuanshi the consideration of the transfer of equity interests in CStone Suzhou using the total consideration of US$45,000,000 from the subscription of Series A-3 Preferred Shares by Oriza Seed Fund I L.P. and Hikeo Biotech L.P., the affiliates of Zhengze Yuanshi, which is determined on an arm's length basis.

CStone Shanghai

On March 29, 2016, CStone Shanghai was established in the PRC as a limited liability company by CStone HK. The principal business of CStone Shanghai is medical and biotechnological development, technical consultation, technical service, technological transfer, corporate management consultation and commercial information consultation.

Pursuant to a share transfer agreement entered into between CStone HK and CStone Suzhou dated October 30, 2016, CStone HK transferred its entire equity interests in CStone Shanghai to CStone Suzhou with the total consideration of US$1.00, which is determined on an arm's length basis. Accordingly, CStone Shanghai became a wholly-owned subsidiary of CStone Suzhou.

The above acquisitions have been properly and legally completed and settled, and as advised by our PRC Legal Advisor, all applicable PRC regulatory approvals have been obtained for the acquisition of Zhengze Yuanshi's equity interests in CStone Suzhou by CStone HK and the acquisition of CStone HK's equity interests in CStone Shanghai by CStone Suzhou.

REASONS FOR THE LISTING

Our Board is of the view that the net proceeds of approximately HK$2,066.98 million from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses payable by us, and assuming the initial Offer Price of HK$11.95 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus, and assuming the Over-allotment Option is not exercised, will provide us with the necessary funding for us to further develop and commercialize our lead drug candidates as disclosed in the section headed "Business – Our Business Strategies" in this prospectus.

PRE-IPO INVESTMENTS

(1) Overview

Our Company underwent several rounds of Pre-IPO Investments, including Series A-1, Series A-2, Series A-3 and Series B financing as described above.

The basis of determination for the consideration for the Pre-IPO Investments is on arm's length negotiations between our Company and the Pre-IPO Investors after taking into account the timing of the investments and the status of our business and operating entities at the relevant time.

In connection with the Pre-IPO Investments, the Pre-IPO Investors entered into the relevant share subscription agreements at the time of their respective investments.

(2) Capitalization of the Company

The below table is a summary of the capitalization of the Company:

Shareholders as at the Latest Practicable Date	Ordinary Shares as at the Latest Practicable Date	Series A-1 Preferred Shares as at the Latest Practicable Date	Series A-2 Preferred Shares as at the Latest Practicable Date	Series A-3 Preferred Shares as at the Latest Practicable Date	Series A-4 Preferred Shares as at the Latest Practicable Date	Series B Preferred Shares as at the Latest Practicable Date	Aggregate number of shares as at the Latest Practicable Date	Aggregate ownership percentage as at the Latest Practicable Date[1]	Ownership percentage as of the Listing Date[2]
WuXi Healthcare Ventures	40,000,000	24,875,000	7,462,500	–	–	882,861	73,220,361	36.72%	29.76%
6 Dimensions Capital, L.P.	–	–	–	–	–	3,354,875	3,354,875	1.68%	1.36%
6 Dimensions Affiliates Fund, L.P.	–	–	–	–	–	176,572	176,572	0.09%	0.07%
Fay Xing	–	125,000	–	–	–	–	125,000	0.06%	0.05%
Boyu Capital Fund II, L.P.[3]	–	10,000,000	22,500,000	–	–	4,237,737	36,737,737	18.42%	14.93%
Zhengze Yuanshi	–	–	–	–	24,554,243	–	24,554,243	12.31%	9.98%
Oriza Seed Fund I L.P.	–	–	–	2,472,014	–	–	2,472,014	1.24%	1.00%
Hikeo Biotech L.P.	–	–	–	5,473,743	–	1,589,151	7,062,894	3.54%	2.87%
Dr. Frank Ningjun Jiang[4]	4,021,666	–	–	–	–	–	4,021,666	2.02%	1.63%
GIC (Ventures) Pte Ltd.[5]	–	–	–	–	–	8,828,618	8,828,618	4.43%	3.59%
Kaitai International Funds SPC	–	–	–	–	–	882,861	882,861	0.44%	0.36%
Taikang Kaitai (Cayman) Special Opportunity I	–	–	–	–	–	2,648,585	2,648,585	1.33%	1.08%
CJS Medical Investment Limited	–	–	–	–	–	3,531,447	3,531,447	1.77%	1.44%
SCC Growth IV Holdco G, Ltd.	–	–	–	–	–	5,297,171	5,297,171	2.66%	2.15%
YF IV Checkpoint Limited	–	–	–	–	–	5,297,171	5,297,171	2.66%	2.15%
Hillhouse Fund IV, L.P.[6]	–	–	–	–	–	1,765,723	1,765,723	0.89%	0.72%
Arch Venture Fund IX, L.P.	–	–	–	–	–	441,430	441,430	0.22%	0.18%
Arch Venture Fund IX Overage, L.P.	–	–	–	–	–	1,324,292	1,324,292	0.66%	0.54%
Pure Progress International Limited	–	–	–	–	–	1,765,723	1,765,723	0.89%	0.72%
Terra Magnum CST LLC	–	–	–	–	–	353,144	353,144	0.18%	0.14%
3W Partners Fund II, L.P.	–	–	–	–	–	882,861	882,861	0.44%	0.36%
Huifu Investments Limited	–	–	–	–	–	882,861	882,861	0.44%	0.36%
King Star Med LP	–	–	–	–	–	1,765,723	1,765,723	0.89%	0.72%
Golden & Longevity Portfolios L.P.	–	–	–	–	–	332,165	332,165	0.17%	0.14%
CStone Incentivization Limited[7]	9,672,192	–	–	–	–	–	9,672,192	4.85%	3.93%
Other individual shareholders who are independent third parties[8]	2,016,554	–	–	–	–	–	2,016,554	1.01%	0.82%
Total	**55,710,412**	**35,000,000**	**29,962,500**	**7,945,757**	**24,554,243**	**46,240,971**	**199,413,883**	**100.00%**	**81.06%**

Notes:

1. Based on the assumption that each of the Preferred Shares will be converted into one Share upon the Global Offering becoming unconditional. All Preferred Shares will automatically be converted into Shares on a 1:1 basis on the Listing Date.

2. Calculated after taking into account the Shares to be issued pursuant to the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option is not exercised and no additional Shares are issued under the Share Incentivization Schemes.

3. As of the Latest Practicable Date, the relevant Preferred Shares were held by Boyu Capital Fund II, L.P. through its investment vehicle, Graceful Beauty Limited.

4. Dr. Frank Ningjun Jiang is our CEO and Chairman of our Board, where 1,690,000 Shares are being held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018 as of the Latest Practicable Date.

5. As of the Latest Practicable Date, the relevant Preferred Shares were held by GIC (Ventures) Pte Ltd. through its investment vehicle, Tetrad Ventures Pte Ltd.

6. As of the Latest Practicable Date, the relevant Preferred Shares were held by Hillhouse Fund IV, L.P. through its investment vehicle, HH CST Holdings Limited.

7. CStone Incentivization Limited is the special purpose vehicle managed by the trustee of the trust, Maples Trustee Services (Cayman) Limited, which is holding Shares on trust for the grantees generally under the Share Incentivization Schemes.

8. Other individual shareholders include senior management and employees of our Company, who are independent third parties.

(3) Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights

The below table summarizes the principal terms of the Pre-IPO Investments:

	Series A-1	Series A-2	Series A-3 and Post Financing Restructuring [1]	Series B
Cost per Preferred Share paid	US$1.00	US$2.00	US$5.66	US$5.66
Date of the agreement	March 4, 2016	March 4, 2016	May 8, 2018	April 28, 2018, September 23, 2018
Funds raised by the Group (approximation)	US$45 million	US$60 million[2]	US$45 million[3]	US$262 million
Corresponding valuation of the Company (approximation)	US$85 million	US$230 million	US$1,044 million	US$1,055 million
Date on which investment was fully settled	April 26, 2016	December 2, 2016	August 21, 2018	September 25, 2018
Discount to the Offer Price [4]	84%	67%	7%	7%
Lock-Up Period	Our Pre-IPO Investors are subject to lock-up arrangements at the time of Listing. Under the current arrangements, the shares of the Company held by the Pre-IPO Investors and all other shareholders of the Company as at the Latest Practicable Date subject to lock-up arrangements represent 100% of the issued share capital of the Company, and approximately 81.06% of the issued share capital of the Company immediately following completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes). For further information about shareholder lock-up arrangements, please refer to the section headed "Underwriting" in the prospectus.			
Use of Proceeds from the Pre-IPO Investments	We utilized the proceeds for the principal business of the Group companies as approved by the Board, including, but not limited to, product research and development including animal study, clinical trials, submission for approval by NMPA and other regulatory approval related activities, sales and marketing, and general working capital purposes in accordance with the budget approved by the Board. As at the Latest Practicable Date, approximately 46.78% of the net proceeds from the Pre-IPO Investments were utilized.			
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and the Pre-IPO Investors' knowledge and experience.			

Notes:

1. The post financing restructuring is effected by the issuance of Series A-4 Preferred Shares.

2. 37,500 Series A-2 Preferred Shares were repurchased by the Company at a consideration of US$75,000.

3. US$45,000,000.20 was the total consideration for the issuance of Series A-3 Preferred Shares by the Company to Oriza Seed Fund I L.P. and Hikeo Biotech L.P.

4. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$11.95 per Share, being the mid-point of the indicative Offer Price range of HK$11.10 to HK$12.80, assuming the conversion of the Preferred Shares into Shares on a 1:1 basis has completed prior to Listing.

(4) Special Rights of the Pre-IPO Investors

Our Company, CStone HK, Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, holder of the Shares and the then Pre-IPO Investors entered into an amended and restated shareholders agreement on May 8, 2018 (the "**Shareholders Agreement**"), pursuant to which certain shareholder rights were agreed among the parties.

Pursuant to the Shareholders Agreement, certain Pre-IPO Investors have, among others, (i) the right to elect directors and the right of participation in the meetings of the Board and of the board of directors of other Group companies, (ii) the right to have access to information passed by the relevant director appointed by any such investor, which comes into the possession of the relevant director in the capacity as a director of a Group company, (iii) the registration rights including demand and piggyback registration rights and (iv) the veto right against certain corporate actions. Pursuant to the Shareholders Agreement, the Board shall consist of six members, and Wuxi Healthcare Ventures, Graceful Beauty Limited, Zhengze Yuanshi and Tetrad Ventures Pte Ltd each has the right to appoint and remove director(s) to the board of the Company. Accordingly, Dr. Wei Li was nominated by WuXi Healthcare Ventures, Mr. Qun Zhao was nominated by Zhengze Yuanshi, Mr. Xiaomeng Tong was nominated by Graceful Beauty Limited and Mr. Guobin Zhang was nominated by Tetrad Ventures Pte Ltd. Dr. Frank Ningjun Jiang was appointed as the CEO and Chairman and Dr. Lian Yong Chen was appointed as a director pursuant to the unanimous decision of the board of the Company.

All such shareholder rights granted under the Shareholders Agreement will be qualified by the Company's compliance with all applicable rules and regulations and terminated upon the completion of a qualified public offering either automatically as provided under the Shareholders Agreement or pursuant to the deed of consent and waiver executed by certain Shareholders in relation to the rights under the Shareholders Agreement dated October 31, 2018.

(5) Information about the Pre-IPO Investors

Our Pre-IPO Investors include certain sophisticated investors. The background information of our Pre-IPO Investors is set out below.

1. The Controlling Shareholder, WuXi Healthcare Ventures, is a sophisticated investor. WuXi Healthcare Ventures is a leading global healthcare venture capital fund that focuses on life science and healthcare. WuXi AppTec indirectly held, through its wholly-owned subsidiary, WuXi AppTec (Hong Kong) Holding Limited, an approximately 17.3% limited partner interest in WuXi Healthcare Ventures as of the Latest Practicable Date. As of the Latest Practicable Date, the other limited partners of WuXi Healthcare Ventures include investment funds, corporate investors and institutional investors based in the PRC and internationally, all of whom hold minority economic interest in WuXi Healthcare Ventures. Based on the Company's knowledge after due enquiry, such other limited partners of WuXi Healthcare Ventures are independent third parties and are not related to the WuXi Entities.

WuXi Healthcare Ventures is managed by its sole general partner, WuXi Healthcare Management, LLC. Each of Dr. Wei Li, Dr. Zhongyuan Zhu, Dr. Fay Xing, Dr. Ge Li and Mr. Edward Hu is a minority shareholder of WuXi Healthcare Management, LLC. Dr. Wei Li is one of our non-executive Directors. As a partner of WuXi Healthcare Ventures, Dr. Zhongyuan Zhu joined the Company since its founding days to help establish its business operations for the Controlling Shareholders. In early 2016, Dr. Zhu in practice performed the function of a chief executive until Dr. Frank Ningjun Jiang, M.D., Ph.D. was hired in July 2016 to hold the CEO position. Dr. Zhu became a director of the Company in 2016 but was no longer involved in the daily operations of the Company and his role since the joining of Dr. Frank Ningjun Jiang had been non-executive in nature. By mutual agreement, Dr. Zhu resigned as a director on the Company on 14 August 2018 and Dr. Lian Yong Chen, with prior experience as directors of other listed companies, was appointed as a director of the Company on the same day. Dr. Zhu no longer holds any position of the Company, neither is he an employee of the Company. Dr. Fay Xing is one of our Pre-IPO Investors, was a partner of WuXi Healthcare Ventures and is a passive investor in the Company. Dr. Ge Li is the ultimate controller, chairman and non-executive director of WuXi Biologics, he is also an executive director, a member of the senior management, and the controller of WuXi AppTec. Mr. Edward Hu is a non-executive director of WuXi Biologics, he is also an executive director and a member of senior management of WuXi AppTec. Each of Dr. Li and Mr. Hu also serves as a director of most of the subsidiaries of WuXi Biologics and WuXi AppTec. Based on public information, the Company is not aware of Dr. Wei Li, Dr. Zhongyuan Zhu, Dr. Fay Xing having any present or past relationship with the WuXi Entities, and none of them is a substantial shareholder (as defined under the SFO) of the WuXi Entities.

2. 6 Dimensions Capital, L.P. and 6 Dimensions Affiliates Fund, L.P. (the "**6 Dimensions Entities**") were formed from the collaboration and co-branding of WuXi Healthcare Ventures and Frontline BioVentures, with an in-depth focus on healthcare and extensive coverage across China and the United States. The general partner of the 6 Dimensions Entities is 6 Dimensions Capital GP, LLC. Dr. Wei Li and Dr. Lian Yong Chen, who are our non-executive Directors, each holds minority interests in 6 Dimensions Capital GP, LLC, and the other shareholders of 6 Dimensions Capital GP, LLC are independent third parties. Dr. Lian Yong Chen is also the founding partner and chief executive officer of the 6 Dimensions Entities. The portfolio companies of the 6 Dimensions Entities include, among others, Hua Medicine, Unity Biotechnology, Inc., 111, Inc., Grail, Inc. and Viela Bio, Inc., all of which are biotech or pharmaceutical companies.

3. Zhengze Yuanshi is a limited partnership formed in the PRC for the purpose of investing in the Company. It is managed by the sole general partner, Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)). Mr. Qun Zhao, who is one of our non-executive Directors, controls 22% interests of the general partner of Zhengze Yuanshi. The limited partners of Zhengze Yuanshi are independent third parties.

4. Oriza Seed Fund I L.P. is a sophisticated investor. Oriza Seed Fund I L.P. was incorporated in the Cayman Islands for biotech and healthcare investment and is an offshore investment fund of Oriza Seed. The general partner of Oriza Seed Fund I L.P. is Oriza Seed L.P. and the limited partners of Oriza Seed Fund I L.P. are independent third parties.

5. Hikeo Biotech L.P. is a special purpose vehicle incorporated in the Cayman Islands for the purpose of investing in the Company and managed by Oriza Seed Limited's management team. While Oriza Seed Limited is the general partner, each of Aranya Investment Holdings Limited, Glory Rich Hong Kong Development Limited and Gold Square Limited is a limited partner that holds of 25.8%, 16.1% and 58.1% of interests in Hikeo Biotech L.P. respectively.

6. Graceful Beauty Limited is an exempted company with limited liability incorporated under the laws of the Cayman Islands as an investment holding company. Graceful Beauty Limited is wholly-owned by Boyu Capital Fund II, L.P., which is a sophisticated investor and an investment fund managing assets of at least HK$1 billion. Boyu Capital General Partner II, L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands) is the general partner of Boyu Capital Fund II, L.P. Boyu Capital General Partner II, Ltd. (an exempted company with limited liability incorporated under the laws of the Cayman Islands) is in turn the general partner of and controls Boyu Capital General Partner II, L.P. Boyu Capital General Partner II, Ltd. is in turn wholly-owned by Boyu Capital Holdings Limited. Boyu Capital Management Ltd. (an exempted company with limited liability incorporated under the laws of the Cayman Islands) is the management company of Boyu Capital Fund II, L.P. Boyu Capital Management Ltd. provides investment management and advisory services to various China-focused investment funds which aim at providing growth and transformational capital for fast-growing businesses in Greater China.

7. Tetrad Ventures Pte Ltd is a limited company established in Singapore. It is 100% owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte. Ltd. GIC Special Investments Pte. Ltd. is wholly-owned by GIC Private Limited. GIC Private Limited is a limited company established in Singapore, a global asset management company established in 1981 to manage the foreign reserves of Singapore as well as a sophisticated investor.

8. Kaitai International Funds SPC is an exempted company incorporated under the laws of the Cayman Islands with limited liability on October 30, 2009. It is registered as a segregated portfolio company with the Registrar of Companies of the Cayman Islands. Kaitai International Funds SPC is controlled by Ting Jun Liu, Hao Wu and Ying Zhou. Taikang Kaitai (Cayman) Special Opportunity I is an investment holding company incorporated as an exempted company under the laws of the Cayman Islands with limited liability on April 9, 2018. It was ultimately controlled by Taikang Asset Management (Hong Kong) Company Limited, a wholly-owned

subsidiary of Taikang Asset Management Company Limited. Kaitai International Funds SPC and Taikang Kaitai (Cayman) Special Opportunity I are entities managed by Taikang Asset Management (Hong Kong) Co., Ltd. They are part of a large-scale insurance financial service group, covering three major businesses, namely insurance, asset management and health and elderly care. With a major investment focus in healthcare, the group has invested in a number of companies such as WuXi AppTec, Mindray Medical International Limited, and Innovent Biologics Inc.

9. King Star Med LP is a sophisticated investor and a venture capital fund specializing in investments with a primary focus on healthcare and biotech. Its portfolio companies include, among others, our Company, MabSpace, Adagene and JW Therapeutics, all of which are biotechnology companies. King Star Med Management Limited is its general partner, where the limited partners include Max Bloom Group Limited, Lianfeng International Pte Ltd, EUP (H.K.) Home Appliance Co. Ltd, Wealth Era Limited and Yuan Tai Holdings Limited.

10. Dr. Fay Xing was a partner of WuXi Healthcare Ventures and is a passive investor in the Company.

11. Pure Progress International Limited is a special purpose vehicle incorporated in the British Virgin Islands in April 2018 for the purpose of investing in the Company. As of the Latest Practicable Date, it is directly and wholly-owned by Li Cai Jin.

12. CJS Medical Investment Limited is an investment holding company incorporated in the British Virgin Islands on April 25, 2018, which is owned by, CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. (the "**CPE Funds**"). The general partner of both the CPE Funds is CITIC PE Associates II, L.P., whose general partner is CITIC PE Funds II Limited, an exempted company incorporated in the Cayman Islands with limited liability. The CPE Funds and CITIC PE Associates II, L.P., are exempted limited partnerships registered under the laws of the Cayman Islands. The CPE Funds have 20 investors in total including some sovereign wealth funds, pensions, financial institutions and other global institutional investors across North America, Europe, Asia and the Middle East.

13. SCC Growth IV Holdco G, Ltd. is an exempted company with limited liability incorporated under the laws of the Cayman Islands. Its sole shareholder is Sequoia Capital China Growth Fund IV, L.P., an investment fund whose primary purpose is to make equity investments in private companies, which is a sophisticated investor.

14. YF IV Checkpoint Limited is owned by Yunfeng Fund III, L.P., its parallel fund and certain co-investment fund (collectively, "**Yunfeng Fund III**"). Yunfeng Fund III is sponsored by Yunfeng Capital Limited, a private equity firm with a primary focus on investments in telecommunications, media and technology, healthcare, financial and logistics industries. The general partner of Yunfeng Fund III is Yunfeng Investment III, Ltd., an exempted company with limited liability incorporated in the Cayman Islands.

15. Hillhouse Capital Management, Ltd. ("**Hillhouse Capital**") is a sophisticated investor. Hillhouse Capital acts as the sole management company of Hillhouse Fund IV, L.P., which owns HH CST Holdings Limited, an exempted company incorporated under the laws of Cayman Islands. Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are keys to Hillhouse Capital's investment approach. The partners of Hillhouse Capital with exceptional entrepreneurs and management teams to create value, often focus on enacting innovation and technological transformation. Hillhouse Capital invests in companies in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors. Hillhouse Capital and its group members manage more than US$50 billion in assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

16. Each of ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. is a venture capital fund specializing in investments in seed and early-stage technology companies with a focus on biotechnology and instrumentation. ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. are limited partnerships registered in Delaware, United States with aggregate limited partner commitments of US$1.04 billion. The limited partners of these partnerships are managed by their respective general partners and are primarily institutional investors such as university endowments, foundations, sovereign wealth funds and family offices. ARCH Venture Partners IX, L.P. is the sole general partner of ARCH Venture Fund IX, L.P. and ARCH Venture Partners IX Overage, L.P. is the sole general partner of ARCH Venture Fund IX Overage, L.P. ARCH Venture Partners IX, LLC is the sole general partner of ARCH Venture Partners IX, L.P. and ARCH Venture Partners IX Overage, L.P.

17. Terra Magnum CST LLC is controlled by Terra Magnum Capital Partners, a global private equity firm that specializes in both direct investments and fund investments. With healthcare-related portfolio companies including Berry Genomics and Yikon Genomics, Terra Magnum Capital Partners is specialized in providing capital and value-added services for fast-growing companies in China's healthcare, consumer and services, telecommunications, media and technology and finance sectors.

18. 3W Partners Fund II, L.P. is an exempted limited partnership registered under the laws of the Cayman Islands managed by 3W Partners GP II Limited as its general partner. The limited partners of 3W Partners Fund II, L.P. are institutional investors, family offices and high net worth individuals. 3W Partners Fund II, L.P. seeks long-term capital appreciation primarily through privately-negotiated equity and equity-related investments. 3W Partners GP II Limited was incorporated in the Cayman Islands by 3W Partners Capital, an independent fund manager which currently manages approximately US$450 million of assets with focus primarily on privately-owned companies with growth potential.

19. Huifu Investments Limited is focused on private equity fund management, equity investment and equity investment consultation.

20. Certain employees of the Group who are independent third parties hold Shares indirectly through Golden & Longevity Portfolios L.P., the registered Shareholder of the relevant Series B Preferred Shares issued under the additional round of Series B financing.

(6) Public Float

Upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes), each of WuXi Healthcare Ventures, Graceful Beauty Limited and Zhengze Yuanshi will hold approximately 29.76%, 14.93% and 9.98% of the total issued Shares; therefore, each of them will be a Substantial Shareholder and their Shares will not count towards the public float. In addition, Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, who will directly or indirectly through the relevant trust hold approximately 1.63% of the total issued Shares upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes) and such Shares will not count towards the public float.

Save as disclosed above, to the best of the Directors' knowledge, all other investors and Shareholders of the Company are not connected persons of our Company. As a result, an aggregate of approximately 43.69% of the Shares (upon completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes) with a market capitalization of approximately HK$5,137.49 million (based on the Offer Price of HK$11.95, being the mid-point of the indicative Offer Price range) held by our shareholders will count towards the public float; hence, over 25% of the Company's total issued Shares will be held by the public upon completion of the Global Offering and the Capitalization Issue as required under 8.08(1)(a) of the Listing Rules.

Other than those granted under the Pre-IPO Incentivization Plan, there are no options or warrants outstanding. The principal terms of the Pre-IPO Incentivization Plan are set out in the section headed "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Incentivization Plan" in Appendix V in this prospectus. No additional options will be granted under the Pre-IPO Incentivization Plan after Listing.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the investment by the Pre-IPO Investors is in compliance with the Guidance Letter HKEX-GL29-12 issued on January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that the establishment and increase or transfer of equity interests in respect of CStone Suzhou and CStone Shanghai as described above in this section have been properly and legally completed and all regulatory approvals have been obtained in accordance with PRC laws and regulations.

M&A Rules

According to 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》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for the Global Offering is not required because each of CStone Suzhou and CStone Shanghai was incorporated as a foreign-invested enterprise without involving acquisition of the equity or assets of a "PRC domestic company", as such term is defined under the M&A Rules.

SAFE Circular 37

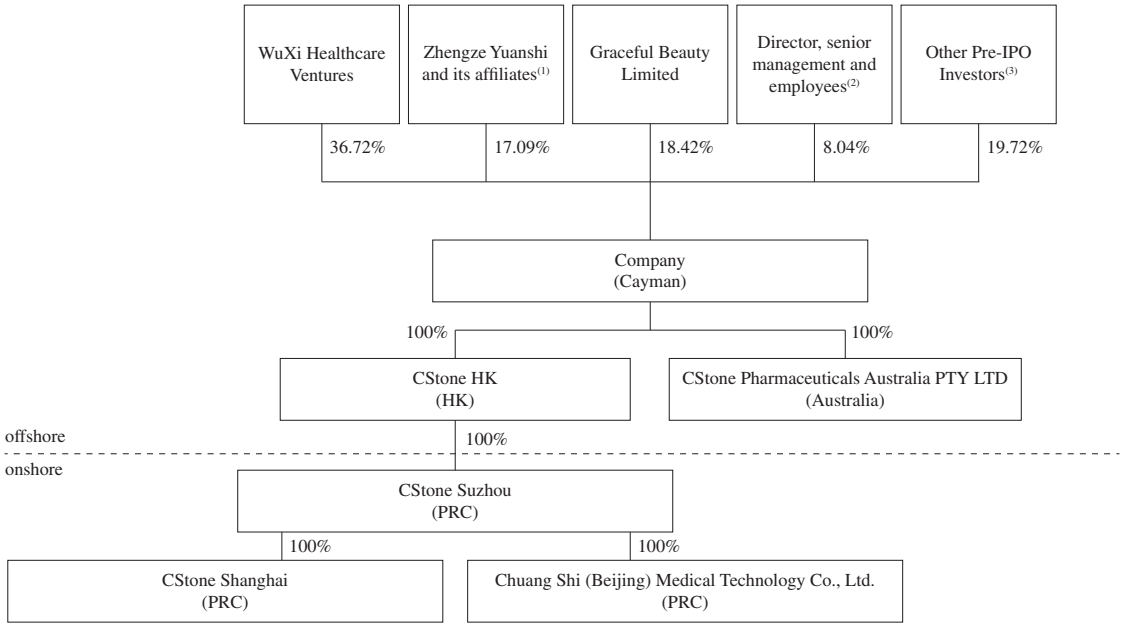
In 2014, the State Administration of Foreign Exchange, or SAFE, promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of SAFE or competent banks designated by SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "PRC residents" under SAFE Circular 37 is defined as PRC legal entities, other economic organizations, the PRC citizens holding PRC ID or non-PRC citizens habitually residing in China due to economic interests.

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

As of the Latest Practicable Date, there is no PRC citizen holding PRC domestic resident ID cards, military personnel ID cards, armed police officer ID cards or offshore residents who do not have PRC domestic legal ID cards, but habitually reside in China due to economic interests, that ultimately hold controlling interests in the Company.

OUR CORPORATE AND SHAREHOLDING STRUCTURE

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the Global Offering and the Capitalization Issue:



Notes:

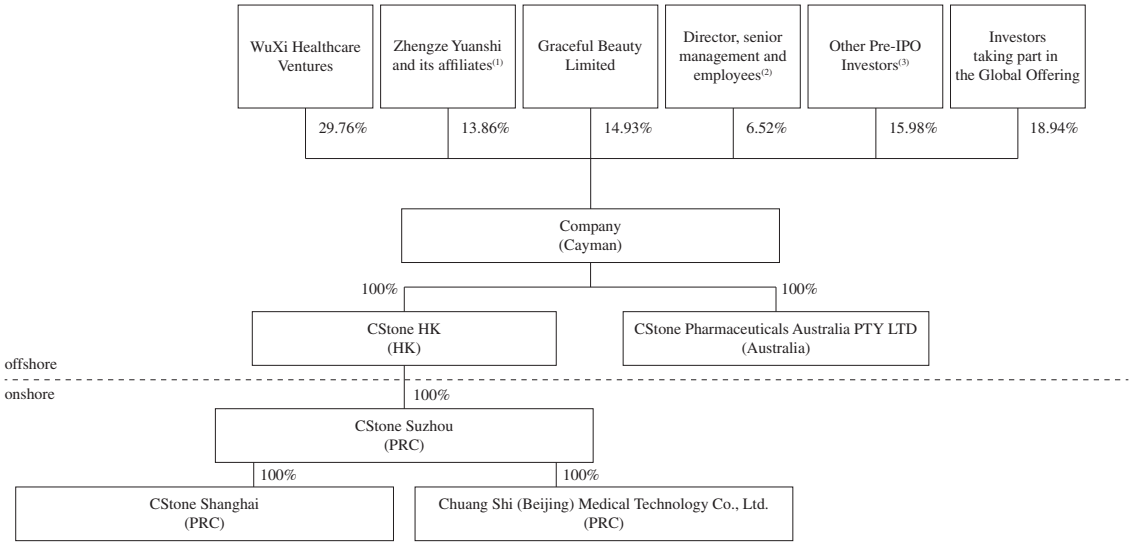
As of the Latest Practicable Date:

1. The affiliates of Zhengze Yuanshi include Oriza Seed Fund I L.P. and Hikeo Biotech L.P.

2. Director and senior management include Dr. Frank Ningjun Jiang (who is also the CEO and Chairman of our Board), where, as of the Latest Practicable Date, 1,690,000 Shares are being held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018, Dr. Jianxin Yang and Dr. Bing Yuan. Employees who are independent third parties hold Shares directly by themselves or indirectly through Golden & Longevity Portfolios L.P.. This also includes Shares held by CStone Incentivization Limited.

3. Other Pre-IPO Investors are independent third parties, the identities of whom are set out under the subsection headed "Pre-IPO Investments" in this section.

The following diagram illustrates the corporate and shareholding structure of our Group immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes):



Notes:

On the Listing Date:

1. The affiliates of Zhengze Yuanshi include Oriza Seed Fund I L.P. and Hikeo Biotech L.P.

2. Director and senior management include Dr. Frank Ningjun Jiang (who is also the CEO and Chairman of our Board), where, upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised), 6,760,000 Shares would be held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018, Dr. Jianxin Yang and Dr. Bing Yuan. Employees who are independent third parties hold Shares directly by themselves or indirectly through Golden & Longevity Portfolios L.P.. This also includes Shares held by CStone Incentivization Limited.

3. Other Pre-IPO Investors are independent third parties, the identities of whom are set out under the subsection headed "Pre-IPO Investments" in this section.

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing the Frost & Sullivan Report, an independent industry report in respect of the Global Offering. We believe that the sources of the information in this section and other sections of this prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us, the Joint Global Coordinators, Joint Sponsors, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, save for Frost & Sullivan, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

OVERVIEW OF THE GLOBAL ONCOLOGY DRUG MARKET

The global oncology drug market grew from US$72.9 billion in 2013 to US$110.6 billion in 2017, representing a CAGR of 11.0%. The market is expected to further grow to US$201.8 billion in 2022 at a CAGR of 12.8% from 2017, and to US$407 billion in 2030 at a CAGR of 9.2% from 2022. The global oncology market accounted for 7.5% and 9.1% of the global pharmaceutical market in 2013 and 2017, respectively. It is expected to grow at a higher rate than the overall pharmaceutical market and will account for 16.6% of the global pharmaceutical market in 2030. Such growth will be primarily driven by scientific advancements, new therapy launches, an increasingly aging population and growing incidence of cancer.

The field of cancer treatment has experienced significant revolutions, progressing from chemotherapy drugs to molecularly targeted drugs and to immuno-therapy. There are currently five major types of treatment for cancer, namely surgery, radiotherapy, chemotherapy, molecularly targeted therapy and immuno-oncology therapy. The following diagram illustrates the shift of the cancer treatment paradigm:

Shift of Cancer Treatment Paradigm

		Pros	Cons
1st Revolution Chemotherapy Drugs	Surgery	• Effective in certain indications • Improve quality of life for terminal cancer patients	• Not effective for metastatic cancers
2nd Revolution Molecularly Targeted Drugs	Radiotherapy/ Chemotherapy	• Lower cost • Effective in broad indications	• Severe side effects
	Molecularly Targeted Therapy	• Better efficacy in certain indications • Better safety profile	• Higher cost • Effective in limited indications • Development of drug resistance
3rd Revolution Immunology Therapy	Immunotherapy	• Better efficacy in certain indications • Better safety profile • Potential for combination therapies	• Higher cost

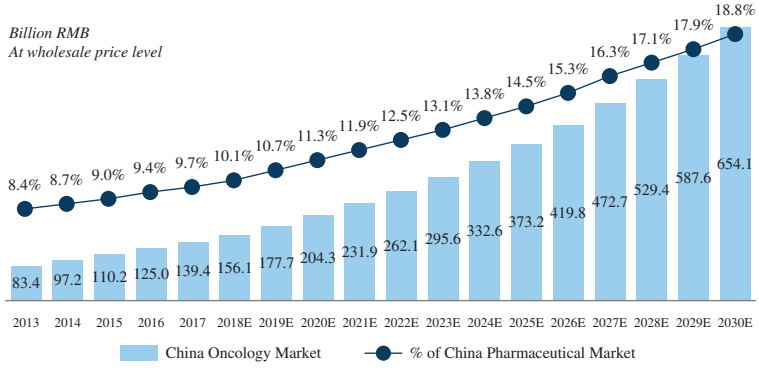
OVERVIEW OF CHINA'S ONCOLOGY DRUG MARKET

Historical and Estimated Size of China's Oncology Drug Market

China's oncology drug market has grown rapidly in recent years. Revenue of the oncology drugs in China grew from RMB83.4 billion in 2013 to RMB139.4 billion in 2017, representing a CAGR of 13.7%. It is expected to further grow to RMB262.1 billion in 2022 at a CAGR of 13.5% from 2017, and to RMB654.1 billion in 2030 at a CAGR of 12.1% from 2022, as shown in the following chart:

China Oncology Market 2013-2030E

Period	CAGR
2013-2017	13.7%
2017-2022E	13.5%
2022E-2030E	12.1%



Source: Frost and Sullivan Analysis

While the majority of the top ten oncology drugs globally in 2017 are either molecularly targeted drugs or immuno-oncology drugs, seven out of the top ten oncology drugs in China are chemotherapy drugs and only three are molecularly targeted drugs. This difference between the global market and the China market suggests significant potential for molecularly targeted drug and immuno-oncology drug market growth in China. Three drugs among the top ten oncology drugs globally, including pembrolizumab, nivolumab and palbociclib, were recently approved in China in 2018, indicating China is at its early stage of its paradigm shift to molecularly targeted drugs and immuno-oncology drugs.

The following tables show the top ten oncology drugs by generic name globally and in China in 2017.

Global Top 10 Oncology Drugs by Generic Name, 2017

Generic Name	Brand Name of Patented Drug*	Market Size (Billion USD)	Market Share	Therapy
Lenalidomide	Revlimid®	8.2	7.4%	Molecularly Targeted Drug
Rituximab	Mabthera®	7.7	7.0%	Molecularly Targeted Drug
Trastuzumab	Herceptin®	7.1	6.4%	Molecularly Targeted Drug
Bevacizumab	Avastin®	6.8	6.1%	Molecularly Targeted Drug
Nivolumab	Opdivo®	5.8	5.2%	Immuno-oncology Drug
Pegfilgrastim	Neulasta®	4.5	4.1%	Biologics
Palbociclib	Ibrance®	5.1	4.6%	Molecularly Targeted Drug
Ibrutinib	Imbruvica®	4.5	4.0%	Molecularly Targeted Drug
Pembrolizumab	Keytruda®	3.8	3.4%	Immuno-oncology Drug
Enzalutamide	Xtandi®	3.2	2.9%	Hormone therapy

China Top 10 Oncology Drugs by Generic Name, 2017

Generic Name	Brand Name of Patented Drug*	Market Size (Billion RMB)	Market Share	Therapy
Paclitaxel	Taxol®	3.4	2.5%	Chemotherapy
Pemetrexed	Alimta®	2.8	2.0%	Chemotherapy
Docetaxel	Taxotere®	2.8	2.0%	Chemotherapy
Tegafur	Wei Kang Da®	2.6	1.9%	Chemotherapy
Tegafur Gimeracil Oteracil Potassium	Ai Yi®	2.6	1.9%	Chemotherapy
Imatinib	Gleevec®	2.5	1.8%	Molecularly Targeted Drug
Trastuzumab	Herceptin®	2.1	1.5%	Molecularly Targeted Drug
Rituximab	Mabthera®	2.1	1.5%	Molecularly Targeted Drug
Capecitabine	Xeloda®	2.1	1.5%	Chemotherapy
Oxaliplatin	Eloxatin®	1.8	1.3%	Chemotherapy

*Brand names listed are the brand names of patented drugs, and there are also generic drugs marketed under the respective generic names only.

Source: Frost & Sullivan Analysis

Epidemiology by Cancer Type in China

Among all types of cancers, lung cancer, liver cancer, stomach cancer, colorectal cancer and breast cancer are the top five cancer types in China by incidence rate, accounting for more than 50% of the annual incidence in the aggregate. The incidences of lung cancer, colorectal cancer and esophageal cancer are expected to grow at higher CAGRs than the others. Such higher CAGR for lung cancer is attributed to the growing smoking population and air pollution. As for colorectal and esophageal cancer, the higher CAGRs are attributable mainly to increasingly prevalence of unhealthy dietary habits. Below is a chart summarizing cancer incidences by cancer type.

Incidence by Cancer Types of China, 2013-2030E

Thousand	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cancer Type[1]	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)	Incidence (%)
Lung	754 (20.5%)	781 (20.5%)	810 (20.6%)	837 (20.6%)	864 (20.6%)	890 (20.6%)	915 (20.6%)	938 (20.6%)	962 (20.6%)	987 (20.6%)	1,015 (20.8%)	1,045(21.0%)	1,082 (21.5%)	1,121 (21.8%)	1,156 (21.9%)	1,191 (22.0%)	1,225 (22.0%)	1,259 (21.9%)
Liver	440 (12.0%)	450 (11.8%)	466 (11.8%)	478 (11.7%)	489 (11.7%)	501 (11.6%)	514 (11.6%)	526 (11.5%)	540 (11.5%)	554 (11.6%)	568 (11.6%)	582 (11.7%)	597 (11.8%)	612 (11.9%)	631 (12.0%)	648 (12.0%)	665 (11.9%)	682 (11.8%)
Stomach	396 (10.8%)	410 (10.8%)	425 (10.8%)	440 (10.8%)	454 (10.8%)	469 (10.8%)	482 (10.9%)	496 (10.9%)	510 (10.9%)	524 (11.0%)	538 (11.0%)	554 (11.1%)	569 (11.3%)	584 (11.4%)	601 (11.4%)	618 (11.4%)	637 (11.4%)	656 (11.4%)
Colorectum	357 (9.7%)	370 (9.7%)	384 (9.8%)	398 (9.8%)	411 (9.8%)	424 (9.8%)	437 (9.8%)	450 (9.9%)	462 (9.9%)	475 (9.9%)	489 (10.0%)	504 (10.1%)	519 (10.3%)	535 (10.4%)	551 (10.5%)	567 (10.5%)	584 (10.5%)	601 (10.4%)
Breast	272 (7.4%)	279 (7.3%)	286 (7.3%)	293 (7.2%)	300 (7.1%)	306 (7.1%)	312 (7.0%)	318 (7.0%)	323 (6.9%)	327 (6.8%)	332 (6.8%)	337 (6.8%)	341 (6.8%)	346 (6.7%)	351 (6.7%)	356 (6.6%)	361 (6.5%)	366 (6.4%)
Esophagus	248 (6.8%)	258 (6.8%)	267 (6.8%)	276 (6.8%)	285 (6.8%)	294 (6.8%)	302 (6.8%)	311 (6.8%)	319 (6.8%)	329 (6.9%)	339 (6.9%)	349 (7.0%)	359 (7.1%)	370 (7.2%)	381 (7.2%)	393 (7.2%)	404 (7.2%)	417 (7.2%)
Head & Neck	110 (3.0%)	114 (3.0%)	117 (3.0%)	120 (3.0%)	123 (2.9%)	126 (2.9%)	129 (2.9%)	131 (2.9%)	134 (2.9%)	137 (2.9%)	140 (2.9%)	143 (2.9%)	146 (2.9%)	149 (2.9%)	152 (2.9%)	155 (2.9%)	158 (2.8%)	161 (2.8%)
Brain, CNS	99 (2.7%)	101 (2.7%)	104 (2.6%)	106 (2.6%)	109 (2.6%)	111 (2.6%)	113 (2.6%)	115 (2.5%)	118 (2.5%)	120 (2.5%)	122 (2.5%)	124 (2.5%)	126 (2.5%)	128 (2.5%)	130 (2.5%)	132 (2.4%)	134 (2.4%)	137 (2.4%)
Cervix	100 (2.7%)	102 (2.7%)	104 (2.6%)	106 (2.6%)	107 (2.6%)	109 (2.5%)	111 (2.5%)	112 (2.5%)	113 (2.4%)	115 (2.4%)	116 (2.4%)	117 (2.4%)	119 (2.4%)	119 (2.3%)	120 (2.3%)	121 (2.2%)	122 (2.2%)	122 (2.1%)
Pancreas	89 (2.4%)	92 (2.4%)	95 (2.4%)	98 (2.4%)	101 (2.4%)	104 (2.4%)	107 (2.4%)	110 (2.4%)	113 (2.4%)	116 (2.4%)	119 (2.4%)	123 (2.5%)	126 (2.5%)	130 (2.5%)	134 (2.5%)	138 (2.6%)	143 (2.6%)	147 (2.6%)
NKTL	9 (0.2%)	9 (0.2%)	9 (0.2%)	9 (0.2%)	10 (0.2%)	10 (0.2%)	10 (0.2%)	10 (0.2%)	10 (0.2%)	11 (0.2%)	11 (0.2%)	11 (0.2%)	11 (0.2%)	12 (0.2%)	12 (0.2%)	12 (0.2%)	12 (0.2%)	12 (0.2%)
cHL	5 (0.1%)	5 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	6 (0.1%)	7 (0.1%)	7 (0.1%)	7 (0.1%)	7 (0.1%)	7 (0.1%)	7 (0.1%)
Others	793 (21.6%)	832 (21.9%)	862 (21.9%)	898 (22.1%)	936 (22.3%)	971 (22.5%)	1,004 (22.6%)	1,036 (22.7%)	1,063 (22.7%)	1,081 (22.6%)	1,083 (22.2%)	1,071 (21.6%)	1,037 (20.6%)	1,027 (20.0%)	1,043 (19.8%)	1,078 (19.9%)	1,127 (20.2%)	1,190 (20.7%)
Total	3,672 (100.0%)	3,804 (100.0%)	3,935 (100.0%)	4,065 (100.0%)	4,195 (100.0%)	4,321 (100.0%)	4,442 (100.0%)	4,560 (100.0%)	4,674 (100.0%)	4,781 (100.0%)	4,877 (100.0%)	4,965(100.0%)	5,039 (100.0%)	5,140(100.0%)	5,268 (100.0%)	5,416 (100.0%)	5,578 (100.0%)	5,757 (100.0%)

Source: NCCR, Frost & Sullivan Analysis

(1) According to Frost & Sullivan, lung, liver, stomach, colorectum, breast, esophagus, head & neck, brain (CNS), cervix and pancreas cancer indications are considered common indications that each had more than 100,000 incidences in China in 2017, and other cancer indications are considered rare indications that each had less than 100,000 incidences in China in 2017.

In China, there is a growing cancer patient population with tumors responsive to PD-1/PD-L1 antibodies, which are also the same patients addressable by immune-checkpoint inhibitors. PD-1/PD-L1 antibodies are expected to cover different indications in clinical therapies. Currently available clinical data suggest that some of the most prevalent cancers in China, such as lung, stomach, liver, colorectal and esophageal cancers, are responsive to PD-1/PD-L1 antibodies. According to Frost & Sullivan, the population of all cancer patients in China in 2017 is estimated to be around 4.2 million while the population of potentially addressable patients for PD-1/PD-L1 antibodies in China in 2017, being a subset of the total cancer patient population in China, is estimated to be around 3.4 million. These estimates were calculated based on the number of targeted patients who have been recruited for Phase III clinical trials or clinical trials that have been used for NDA submissions in China for immune-checkpoint inhibitors and patients who have been approved to receive checkpoint inhibitor treatment globally, in each case, as of December 14, 2018. The number of addressable patients in China in 2017 is estimated to be 381,800, 372,900, 194,700, 5,800 and 2,300 for NSCLC, HCC, gastric cancer, NKTL and cHL, respectively, each a lead indication for CS1001 (PD-L1 antibody), our Core Product Candidate. The estimate for each lead indication is calculated based on the number of patients of the indication's sub-types currently treated or expected to be treated with CS1001 in clinical trials.

Trends and Growth Drivers of China's Oncology Drug Market

The oncology drug market in China is growing at a faster pace than the global market, mostly attributable to the large and growing cancer patient base, increasingly available effective therapies, increasing affordability and favorable environment for clinical trials.

Large and growing cancer patient base

Cancer incidence has increased steadily in the past five years, climbing from 3,671,800 in 2013 to 4,195,200 in 2017. The incidence is projected to increase at an even faster pace in the future and is expected to reach 4,781,200 in 2022.

Increasingly available effective therapies

China has experienced a treatment shift for cancer from traditional to more advanced and effective targeted and immuno-oncology therapies. Nevertheless, many patients still do not have access to the more advanced therapies. As traditional treatments are still dominant in China, cancer patients in China have a significantly lower overall five-year survival rate as compared to patients in the United States and other developed countries. In particular, the five-year survival rate for all registered cancer patients in China was 30.8% as compared to the five-year survival rate of 69.9% for patients in the United States in 2017. Historically, cumbersome pharmaceutical registration regulations have led to limited availability of advanced therapies in China. As the review process of innovative drugs has been reformed recently, more advanced and more effective treatments are expected to enter the China market at an expedited pace. The emergence of new and innovative therapies and patients' awareness of such treatments will foster the growth of China's oncology drug market.

Increasing affordability

Both the increase in disposable income and the expansion of medical reimbursement coverage are expected to make oncology treatments more accessible, thereby increasing the market size of oncology drugs. In the past five years, disposable income of Chinese residents grew significantly to RMB25,974.0 in 2017, and is projected to further grow to RMB39,527.8 in 2022. Moreover, the expansion of medical insurance coverage to reimburse more oncology drugs has presented new opportunity for China's oncology market.

The medical insurance schemes provided by the PRC government, including urban and rural medical insurance, are the largest payors of pharmaceutical expenditures in China. The National Reimbursement Drug List, or NRDL, sets out the list of reimbursed drugs for people covered by the urban employee and resident basic medical insurance schemes. It is managed by the National Medical Insurance Bureau, or the NMIB. The NRDL establishes coverage at the national level and consists of two drug catalogues, the List A catalogue and the List B catalogue. The List A catalogue typically includes low-priced and clinically necessary drugs that are fully reimbursed and the List B catalogue typically includes higher-priced or new drugs that generally require a 10% to 30% co-payment from patients. Criteria for a drug to be included in the List A catalogue include clinical necessity, safety and efficacy, significant effect of treatment and reasonableness of price. Criteria for a drug to be included in the List B catalogue include good treatment effect and higher price than the drug in the same class included in the List A catalogue. Inclusion into the NRDL typically results in a much higher sales volume and a significant sales growth despite discounted prices. For example, after being included in the latest version of the NRDL issued in February 2017, or the NRDL 2017, Avastin's sales volume increased by 273.5% and its sales revenue increased by 70.5% from the first half of 2017 to the first half of 2018.

China's public reimbursement coverage is not static, and is expected to continue its expansion because of the regular updates and adjustments on the NRDL as well as provincial level coverage modifications. From 2000 to 2017, MoHRSS has published four versions of NRDL, and each update adds a large number of drugs to the NRDL. The NRDL 2017, expanded the reimbursement by including 14 additional oncology drugs. The 2017 expansion increased the total number of oncology drugs in the List A and B catalogues to 30 and 81, respectively. The NRDL 2017 also moved some oncology drugs, such as paclitaxel, from List B to List A. Moreover, NRDL is also dynamically adjusted to include innovative drugs to meet urgent clinical needs. In February 2017, 36 innovative and patented drugs were added into the List B catalogue. In October 2018, 17 innovative drugs were added into the List B catalogue, all of which are oncology drugs. At the provincial level, the MoHRSS sets the nationwide negotiated drug price, but each province creates its own customized lists based on the NRDL, or the Provincial Reimbursement Drug List (PRDL). List A drugs must be on the PRDLs but 15% of List B drugs can be adjusted to suit local medical needs, and some provinces have expanded the reimbursement coverage to more than what is under the NRDL.

Favorable environment for clinical trials

China has a large number of cancer patients available to participate in clinical trials, which presents a significant pool of potential clinical subjects. The large patient pool leads to more clinical trials being conducted in China and is expected to create more opportunities for domestic Chinese companies to participate in global clinical trial collaborations.

China's regulatory framework is becoming increasingly favorable for innovative drugs that address unmet medical needs. On October 8, 2017, the General Office of the State Council released Opinions on Reform of the Drug and Medical Device Review and Approval (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見). The opinions aim to accelerate drug development and approval and to encourage innovation within the drug and medical device sectors, as shown in the following chart:

	Content	Potential Benefits
Reforming clinical trial management	• Implementing record-filling system instead of qualification for clinical trial sites • Accepting clinical trial data generated abroad • Improving the efficiency of ethic review, optimizing the approval procedure for clinical trials	• Increasing availability of clinical trial sites • Making simultaneous marketing in domestic and overseas markets possible • Shortening the approval time of IND applications
Accelerating review and approval	• Accelerating the review and approval of drugs with urgent clinical needs	• Shortening the approval time of NDA applications
Encouraging innovation	• Enhancing protection of patents and clinical trial data • Developing pilot pharmaceutical patent term compensation system • Making dynamic adjustment to National Reimbursement Drug List (NRDL)	• Extending the patent term of innovative drugs • Raising the affordability and availability of innovative drugs
Life-cycle management	• Implementing the Marketing Authorization Holder (MAH) system	• In favor of innovative SMEs and start-ups who can benefit from a wider range of R&D and manufacturing options

Source: NMPA, Frost & Sullivan Analysis

In addition, various government policies and regulations were passed to simplify review of clinical trial and new drug application, encourage drug innovation, accelerate drug registration and expand medical reimbursement. Specifically, the NMPA implemented Technical Guidelines for Accepting Data from Overseas Clinical Trials of Drugs, which shortens the registration process and provides potential exemption of clinical trials for drugs which have solid overseas clinical data.

Increasing Research and Development Costs

Based on historical industry statistics, the research and development expenses to be incurred for a potential biologic candidate in China generally range from approximately RMB100 million to RMB150 million during the biomarker discovery and pre-IND stage, and from approximately RMB250 million to RMB350 million during the post-IND and clinical development stage. The research and development expenses incurred during post-NDA and commercialization stage typically relate to pivotal clinical trials for additional indications, Phase IV clinical trials for generation of data for marketing purposes, or Phase III clinical trials to satisfy regulatory obligations related to conditional NDA approvals. Such expenses vary significantly from case to case. The research and development expenses at each stage have been increasing and are expected to continue to increase in the future.

OVERVIEW OF THE IMMUNO-ONCOLOGY MARKET

Over the last few years, immuno-oncology therapy has revolutionized cancer care. Immuno-oncology therapy is designed to stimulate the patient's own immune system to generate or augment an antitumor immune response in order to control or eradicate cancer cells. Due to its ability to provide durable remissions while being generally well-tolerated in certain patients with advanced cancers, the discovery and development of immuno-oncology therapy mark a milestone in cancer treatment. Major types of immuno-oncology therapy include checkpoint inhibitors, therapeutic cancer vaccines, cytokines and cell therapies. Major drugs in the immuno-oncology market are PD-1, PD-L1 and CTLA-4 inhibitors.

Overview of PD-1/PD-L1 Inhibitors

PD-1 and PD-L1 inhibitors work by interfering with the interaction between PD-1 and PD-L1, whose unimpeded interaction downregulates T cells and allows cancer cells to evade immune surveillance. Anti-PD-1 and anti-PD-L1 therapies have superior efficacy, better safety profile, and efficacy for rare indications that are not responsive to existing therapies.

Superior efficacy

The development of PD-1 and PD-L1 therapies marks an important advancement in cancer treatment. For example, PD-1 drugs have demonstrated an overall response rate of 69% in patients with relapsed or refractory Hodgkin's lymphoma, with a median duration of response of 11 months. Compared with traditional treatments such as chemotherapy, PD-1 and PD-L1 therapies have also shown superior efficacy for major cancer indications such as lung cancer and melanoma, and have greatly increased the survival rate in patients with advanced or metastatic cancers. Patients with metastatic NSCLC had median survival of 17.3 months when treated with PD-1 drugs, compared to 11.5 months when treated with chemotherapy.

Better safety profile

PD-1 and PD-L1 drugs rely on a novel mechanism that manipulates the interaction between cancer cells and the immune system and re-activates the immune system. By not directly targeting normal body cells, immunotherapies have significantly lower adverse side effects as compared to conventional chemotherapy. In particular, grade 3-4 adverse effects occur in less than 10% of patients in most immunotherapy trials.

Efficacy in cancer types without existing effective treatments

Prior to the emergence of PD-1 and PD-L1 therapies, there were no effective treatments for many types of cancer, for example advanced urothelial bladder cancer and certain molecular subtypes of NSCLC. The emergence of PD-1 and PD-L1 treatments redefined the cancer treatment paradigm and significantly expanded treatable cancer types.

The development of immune checkpoint inhibitors also faces several material science and engineering challenges. The basal medium and nutrients feed are two important materials that directly relate to the success of the drug development and the yield of antibodies. Difficulties mainly arise with respect to the components selection and pH value control of the basal medium and nutrients feed. The inhibitor purification process has to comply with very strict criteria, especially with respect to purification columns, including Protein A column and anions and cations exchange columns. The materials that the columns are made of directly relate to the purification efficiency and the columns' maximum usage cycles, which translate to the quality of inhibitor drugs and the cost of the development. Additionally, pharmaceutical formulations determine the stability of the immune checkpoint inhibitors and the injection dosages. Whether a specific formulation is compatible with the inhibitor continues to be a material engineering difficulty.

Historical and Projected Revenues for PD-1/PD-L1 Inhibitors Globally

Global revenue of PD-1 and PD-L1 antibodies reached US$6.2 billion and US$10.1 billion for 2016 and 2017, and is expected to have increased to US$13.9 billion for 2018. It is expected to further grow to US$36.4 billion in 2022 at a CAGR of 27.2% from 2018, and to US$78.9 billion in 2030 at a CAGR of 10.1% from 2022. Due to the relative late launch of PD-L1 inhibitors and their limited tumor indications initially, PD-L1 global revenue reached only US$537 million in 2017. The PD-L1 market currently only represents a fraction of the overall PD-1/PD-L1 market, and doctors and physicians may prefer the use of the existing marketed PD-1 inhibitors instead of new PD-L1 inhibitors for the same indication given PD-1 inhibitors' longer track record. The sales revenue of both PD-1 and PD-L1 are expected to grow rapidly with the expected expansion of indications in the future.

Competitive Landscape of the Global PD-1 and PD-L1 Market

In 2017, the only available PD-1 inhibitors on the market were Keytruda® and Opdivo®, which generated US$3.8 billion and US$5.8 billion revenue in that year, respectively. For the same year, the only available PD-L1 inhibitors were Imfinzi®, Bavencio® and Tecentriq®, which generated US$15 million, US$27 million and US$495 million revenue in that year, respectively. As of January 2019, there was one more PD-1 inhibitor, Libtayo®, on the global market, and there were six PD-1 and PD-L1 inhibitors on the global market.

The following tables illustrate the PD-1 and PD-L1 inhibitors approved globally as of January 2019.

Approved PD-1 Inhibitors Globally

Drugs	Indications	Approval (MM/YY)	Sales Revenue in 2017
OPDIVO® (nivolumab)	Unresectable or metastatic Melanoma	Dec-14	US$5.8 billion
	Metastatic Non-small Cell Lung Cancer	Oct-15	
	Renal Cell Carcinoma	Nov-15	
	Classical Hodgkin's Lymphoma	May-16	
	Head and Neck Squamous Cell Cancer	Nov-16	
	Urothelial Carcinoma	Feb-17	
	MSI-H or dMMR Metastatic Colorectal Cancer	Aug-17	
	Hepatocellular Carcinoma	Sep-17	
	Adjuvant Treatment for Melanoma	Dec-17	
	Small Cell Lung Cancer	Aug-18	
OPDIVO® Combination Therapy	BRAF V600 Wild-Type Melanoma	Oct-15	
	Unresectable or Metastatic Melanoma	Jan-16	
	First-line Renal Cell Carcinoma	Apr-18	
	MSI-H or dMMR Metastatic Colorectal Cancer	Jul-18	
KEYTRUDA® (pembrolizumab)	Unresectable or Metastatic Melanoma	Sep-14	US$3.8 billion
	Non-small Cell Lung Cancer	Oct-15	
	Head and neck squamous cell cancer	Aug-16	
	Refractory Classical Hodgkin's Lymphoma	Mar-17	
	Urothelial carcinoma	May-17	
	Unresectable or Metastatic MSI-H or dMMR Cancer	May-17	
	Gastric or Gastroesophageal Junction Cancer	Sep-17	
	Recurrent or Metastatic Cervical Cancer	Jun-18	
	Primary Mediastinal Large B-Cell Lymphoma	Jun-18	
KEYTRUDA® Combination Therapy	Metastatic Nonsquamous NSCLC	May-17	
	Metastatic squamous NSCLC	Oct-18	
LIBTAYO® (cemiplimab)	Metastatic cutaneous squamous cell carcinoma	Sep-18	N.A.

Approved PD-L1 Inhibitors Globally

Drugs	Indications	Approval (MM/YY)	Sales Revenue in 2017
TECENTRIQ® (atezolizumab)	Locally Advanced or Metastatic Urothelial Carcinoma (patients are not eligible for cisplatin chemotherapy)	Apr-17	US$495 million
	Metastatic Non-Small Cell Lung Cancer	Oct-16	
	Locally Advanced or Metastatic Urothelial Carcinoma (patients with disease progression during or following any platinum-containing chemotherapy)	May-16	
BAVENCIO® (avelumab)	Locally Advanced or Metastatic Urothelial Carcinoma	May-17	US$27 million
	Metastatic Merkel Cell Carcinoma	Mar-17	
IMFINZI® (durvalumab)	Stage III Non-Small Cell Lung Cancer	Feb-18	US$15 million
	Locally Advanced or Metastatic Urothelial Carcinoma	May-17	

Source: Frost & Sullivan Analysis

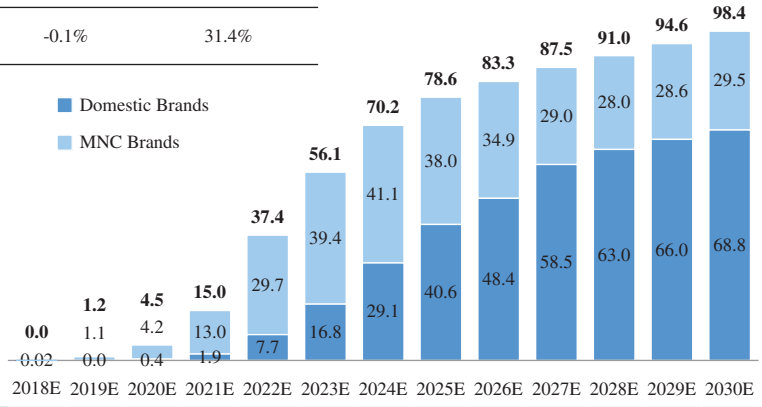
Projected Market Size of PD-1/PD-L1 Inhibitors in China

In China, there is a large and growing population of cancer patients with tumors responsive to PD-1 or PD-L1 inhibitors. The number of such patients has been growing steadily in the past five years reaching 3.4 million in 2017. Given the large number of potential patients, improved affordability and clinical profile of PD-1/PD-L1 inhibitors, the PD-1/PD-L1 inhibitors market is expected to grow rapidly at a pace from almost non-existent in 2018 when the first two PD-1 inhibitors were launched in China to RMB37.4 billion in 2022 at a CAGR of 534.4%, and then to RMB98.4 billion in 2030 at a CAGR of 12.8% from 2022, as illustrated in the chart below.

Forecasted China PD-1 & PD-L1 Inhibitors Market Size 2018E-2030E

Period	Total CAGR	MNC CAGR	Domestic CAGR
2018E-2022E	534.4%	498.7%	455.2% (2019E-2020E)
2022E-2030E	12.8%	-0.1%	31.4%

With retail price level, Billion RMB



	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
PD-1/PD-L1 Addressable Patients, Thousand	3,525	3,628	3,731	3,837	3,947	4,065	4,192	4,330	4,475	4,625	4,431	4,547	4,664
Treatment Rate, %	0%	0%	1%	2%	6%	9%	12%	14%	14%	15%	17%	18%	18%
Treated Patients, Thousand	0.1	6.6	27	92	241	380	501	589	648	708	753	802	854
Volume of Patients (MNC), Thousand	0.1	6.3	24	77	181	247	266	253	240	207	204	214	231
Estimated Annual Cost per Patient (MNC), Thousand RMB	300	180	175	169	164	159	155	150	145	140	137	134	128
Forecasted PD-1/PD-L1 Market Size (MNC), Billion RMB	**0.0**	**1.1**	**4.2**	**13.0**	**29.7**	**39.4**	**41.1**	**38.0**	**34.9**	**29.0**	**28.0**	**28.6**	**29.5**
Volume of Patients (Domestic Brands), Thousand	-	0.3	3	15	60	133	236	336	408	501	549	588	624
Estimated Price per Patient (Domestic Brands), Thousand RMB	210	137	134	131	128	126	123	121	118	116	114	112	110
Forecasted PD-1/PD-L1 Market Size (Domestic Brands), Billion RMB	**-**	**0.0**	**0.4**	**1.9**	**7.7**	**16.8**	**29.1**	**40.6**	**48.4**	**58.5**	**63.0**	**66.0**	**68.8**

Source: Frost & Sullivan Analysis

1. According to Frost & Sullivan, the estimated PD-1/PD-L1 antibody market size in China is based on the following key assumptions (i) PD-1 inhibitors from us, Junshi, Hengrui, BeiGene and Innovent will be launched in 2019 based on their respective timing of submission, past approval durations for multinational pharmaceutical company PD-1 inhibitors and assuming no significant difference between PD-1 inhibitor approval durations for multinational pharmaceutical companies and domestic pharmaceutical companies; (ii)

the annual treatment cost of domestic pharmaceutical companies in China will be 70% of multinational pharmaceutical company brands based on statistics of historical biologics pricing differences between multinational pharmaceutical company brands and domestic brands, and the domestic PD-1/PD-L1 inhibitors will capture the market share mainly because of their price advantage; (iii) In 2019, both multinational pharmaceutical company and domestic PD-1 inhibitors are expected to be added to the NRDL. Multinational pharmaceutical company PD-1 inhibitor annual treatment cost will decrease by 40% upon its addition to the NRDL and further decrease by 3% in each subsequent year, while domestic PD-1 inhibitor annual treatment cost will decrease by 35% upon its addition to the NRDL and further decrease by 2% in each subsequent year based on statistics of historical pricing trends of biologics upon and after addition to the NRDL. By 2030, there will be no significant difference in annual treatment cost between multinational pharmaceutical company and domestic pharmaceutical company PD-1 inhibitors; and (iv) combination therapies are expected to drive future market growth for China PD-1/PD-L1 antibody market based on the latest published research results globally.

2. The estimated PD-1/PD-L1 antibody market size in China have not taken into account off-label prescriptions for either domestic or multinational drug products.

3. There is no significant difference in the treatment rates for patients with different indications. The treatment rate is projected on the basis of total addressable patients. In clinical practice, the same drug product (for instance, CS1001, upon requisite approvals) could be prescribed for different types of cancer patients and, therefore, the expected market size for PD-1 inhibitors and PD-L1 inhibitors cannot be reliably or meaningfully broken down by indications.

4. The main driver for domestic PD-1/PD-L1 inhibitors to capture the market share is their price advantage. It is estimated that the annual price gap between multinational pharmaceutical company brands and domestic PD-1/PD-L1 inhibitors is around RMB90,000 before PD-1/PD-L1 inhibitors are included in the NRDL, and the gap is estimated to be RMB43,500 after the inclusion expected in 2019. Therefore, the number of patients using domestic products is expected to rapidly increase once they are approved. Over time, the prices for both multinational pharmaceutical company brands and domestic PD-1/PD-L1 inhibitors are expected to decrease and the annual price gap is expected to decrease to less than RMB20,000 in 2030. Because of the small price gap and that the public medical insurance is expected to pay for the majority of the treatment cost, the patient shares of multinational pharmaceutical company brands and domestic PD-1/PD-L1 inhibitors are not expected to change significantly afterwards.

5. Multinational pharmaceutical company brands are expected to capture the majority of the market and continue to have growth in sales revenue initially because of (i) their perceived safety and efficacy due to large amount of accumulated clinical evidence and broad physician acceptance, (ii) first-mover advantages in China and (iii) the relatively wide range of the indications approved. However, as domestic products build their clinical evidence, physician acceptance and indications coverage, they are expected to slow down the growth of the sales of multinational pharmaceutical company brands and eventually capture the majority of the market because they are less expensive.

6. Certain amount and percentage figures included in this table have been subject to rounding adjustments, and any data discrepancies listed therein are due to rounding.

Growth Drivers of China's PD-1/PD-L1 Market

According to the Frost & Sullivan Report, the growth of China's PD-1 and PD-L1 antibody market is driven by the following key factors:

Large patient pool

According to the Frost & Sullivan Report, the number of cancer patients with tumors responsive to PD-1/PD-L1 inhibitors has grown steadily in the past five years, from 3.0 million in 2013 to 3.4 million in 2017, and is expected to reach 4.6 million by 2030. Such growth will present significant market opportunity for PD-1/PD-L1 inhibitors.

Emerging combination therapies

As of October 2018, there were 1,352 clinical trials with a PD-1, PD-L1 or CTLA-4 antibody as a component of combination therapy globally, while there were only 69 such clinical trials in China, indicating significant growth potential in China. As PD-1 and PD-L1 antibodies are considered to be the backbone of immuno-oncology therapies and are being investigated in more combination therapies, greater usage is expected of PD-1 and PD-L1 antibodies.

Some patients respond better to certain drugs than others, and patients that are responsive to certain drugs can become resistant to such drugs over time. These limitations have led immunotherapy research towards the development of combination therapies to cater for each patient's medical needs. Moreover, the discovery of new biomarkers like Tumor Mutation Burden to indicate patients' responsiveness to PD-1/PD-L1 therapies may lead to biomarker-guided immuno-oncology therapy as well as potential combined usage.

Competitive Landscape of PD-1/PD-L1 Inhibitors in China

In China, as of January 2019, there were four approved PD-1 inhibitors, namely Bristol-Myers Squibb's OPDIVO® (nivolumab), MSD's KEYTRUDA® (pembrolizumab), Junshi's JS001 (toripalimab) and Innovent's Tyvyt® (sintilimab), and there were no approved PD-L1 inhibitors. As of January 2019, there were two NDAs of PD-1 inhibitors, namely camrelizumab submitted by Hengrui and tislelizumab submitted by Beigene, and one NDA of PD-L1 inhibitor Imfinzi® (durvalumab) submitted by AstraZeneca under the NMPA's review. As there are seven PD-1/PD-L1 inhibitors approved or that have submitted their NDAs in China, the market is expected to become increasingly competitive.

At the early stage of market growth, multinational companies such as Bristol-Myers Squibb and MSD are expected to dominate the China market as their drugs were approved first in China. The first few marketed drugs in a class tend to have strong sales and maintain large market shares because their pricing strategies are not influenced by other competing products, the physicians are more familiar with and prescribe the early entrants' products, and a larger number of physicians are potentially available to advocate the early entrants' products to the patients and other physicians. However, domestic players are expected to achieve rapid growth after their launch because their market entrance will closely follow the first-movers and the price of their products are expected to be competitive. The market share of domestic competitors is expected to reach 20.7% in 2022 and 70.0% in 2030.

1 Domestic Companies

Sponsor	PD-1 Product	NDA-Submitted/ Approved Indications	Proposed Indications in Development	NDA Submission	NDA Approval	Registration No.
Innovent	Tyvyt® (Sintilimab 信迪利單抗注射液)	Relapsed or Refractory Classical Hodgkin Lymphoma	NSCLC, NKTCL, Esophageal Cancer, Solid Tumor	2018.4.19	2018.12.27	CXSS1800008
Junshi	JS001 (Toripalimab 特瑞普利單抗注射液)	Unresectable Local Progression or Metastatic Melanoma	Nasopharyngeal Carcinoma, NSCLC, Lymphoma, Urothelial Carcinoma, Neuroendocrine Neoplasm, RCC, Breast Cancer, Gastric Cancer, Esophageal Cancer	2018.3.20	2018.12.17	CXSS1800006
Hengrui	SHR-1210 (Camrelizumab, 卡瑞利珠單抗注射液)	Classical Hodgkin Lymphoma	Nasopharyngeal Carcinoma, NSCLC, Esophageal Cancer, Colorectal Cancer, HCC, Gastric Cancer, Melanoma, Lymphoma	2018.4.23	N.A.	CXSS1800009
Beigene	BGB-A317 (Tislelizumab 替雷利珠單抗)	Classical Hodgkin's Lymphoma	Esophageal Cancer, NSCLC, HCC, Gastric Cancer, Urothelial Carcinoma	2018.9.6	N.A.	CXSS1800019

2 Multinational Corporation

Sponsor	PD-1 Product	NDA-Submitted/ Approved Indications	Proposed Indications in Development	NDA Submission	NDA Approval	Registration No.
BMS	Opdivo® (Nivolumab)	2L NSCLC	Gastric cancer, Esophageal cancer, RCC, Mesothelioma, Urothelial Carcinoma	2017.11.1	2018.6.15	JXSS1700015 JXSS1700016
MSD	Keytruda® (Pembrolizumab)	Melanoma	NSCLC, Esophageal Cancer, HCC, Nasopharyngeal Cancer	2018.2.11	2018.7.26	JXSS1800002

Source: NMPA, Frost & Sullivan Analysis

Even though there are no PD-L1 inhibitors on the market in China, AstraZeneca has recently submitted the NDA for Imfinzi®, and there are several drug candidates in Phase III trials. The table below summarizes Phase III PD-L1 inhibitor candidates in China.

1 PD-L1 NDA submission

Sponsor	PD-1 Product	NDA-Submitted Indications	Proposed Indications in Development	NDA Submission	NDA Approval	Registration No.
AstraZeneca	Imfinzi® (Durvalumab)	Unknown*	Liver Cancer, Urothelium Carcinoma, Lung Cancer	2018.12.26	N.A	JXSS1800040 JXSS1800041

2 PD-L1 clinical trials

International Non-Proprietary Name	Brand Name	Company	China Filing Status	Proposed Indications in Development	Registration No.
CS1001		CStone	Phase III	NSCLC, NKTL, HCC, cHL, Gastric Cancer	CXSL1600075
Atezolizumab	Tecentriq®	Roche	Phase III	HNSCC, HCC, NSCLC, TNBC, UCC, SCLC	JXSL1300075
Avelumab	Bavencio®	Merck KGaA & Pfizer	Phase III	HNSCC	JXSL1600011
KN035		Alphamab/3D med	Phase III	BTCA, Gastric Cancer, CRC	CXSL1600033

* The information is confidential until company officially discloses it or the NDA is approved

Source: Frost & Sullivan Analysis

Historical and Estimated Size of the CTLA-4 Market Globally and in China

Anti-CTLA-4 therapies block the interaction of CTLA-4 with its ligands, CD80/CD86, and have been shown to increase T cell response to tumor antigens. Yervoy® is the only marketed CTLA-4 drug globally targeting cancer, and its revenue has increased from US$706 million in 2012 to US$1,244 million in 2017.

The annual incidence of cancer patients with CTLA-4 responsive tumors has been growing steadily in the past five years at a CAGR of 3.4% reaching 1.1 million in 2017. Such steady growth is expected to continue in the future, and the number of such patients is expected to reach 1.6 million in 2030.

OVERVIEW OF IMMUNO-ONCOLOGY COMBINATION THERAPY GLOBALLY AND IN CHINA

PD-1, PD-L1 and CTLA-4 Combination Therapies Globally and in China

The recent trend in the oncology area is discovering combination therapies for checkpoint inhibitors. As of October 2018, there were 1,352 clinical trials with a PD-1, PD-L1 or CTLA-4 antibody as a component of combination therapy and 897 clinical trials with any of these antibodies as a monotherapy globally. There were 69 clinical trials with a PD-1, PD-L1 or CTLA-4 antibody as a component of combination therapy and 99 clinical trials with any of these antibodies as a monotherapy in China as of June 2018, indicating significant potential for growth for both mono- and combination therapies in China.

Currently three main categories of agents are used in combination with checkpoint inhibitors: (i) other checkpoint inhibitors, (ii) molecularly targeted drugs and (iii) chemotherapies.

Advantages of Combination Therapies

Combination therapies based on immuno-oncology therapies are supported by robust scientific and clinical data. As checkpoint inhibitors are generally well tolerated, immuno-oncology combination therapies using a checkpoint inhibitor as a component have been widely evaluated for the treatment of various types of cancers, and show increased response rates compared to monotherapies. There is a wide academic and industry understanding that immuno-oncology combination therapies simultaneously using different mechanisms of action show significant improvement in efficiency, response rate and durability as compared to single-agent immunotherapies.

Market Trends in Combination Therapies

Immuno-oncology combination therapies, especially combinations based on biomarkers, are expected to be the future trend of oncology therapies. To meet such trend, companies have been increasingly developing portfolios of immuno-oncology products including PD-1, PD-L1 and CTLA-4 inhibitors.

OVERVIEW OF THE MOLECULARLY TARGETED THERAPY MARKET GLOBALLY AND IN CHINA

Molecularly targeted therapy is an important category of cancer therapies, and it includes small molecule protein kinase inhibitors and biologic monoclonal antibodies. Targeted treatments were developed as an effort to reduce the severe side effects of chemotherapy drugs due to their lack of selectivity between normal and tumor cells.

Growth Drivers of the Molecularly Targeted Therapy Market

According to the Frost & Sullivan Report, the global molecularly targeted drugs market will be primarily driven by the identification of new targets, better accessibility of diagnostic tools, and the emergence of combination therapies.

Identification of new targets. Increased understanding of the underlying mechanisms will enable discovery of more effective targets. The identification of such new targets will also lead to the discovery of drugs with increased efficacy.

Better accessibility of diagnostics tools. China's companion diagnostics market is developing at a rapid pace and diagnostic tests are becoming widely available. Nationwide, there are over 700 healthcare institutions, consisting mainly of Class III Grade A hospitals that have companion diagnostic capabilities for cancer. In China, an increasing number of diagnostic tests are being approved. Such increased accessibility and availability of diagnostics are expected to support the growth of molecularly targeted drugs.

Emergence of combination therapies. Combination therapies based on immuno-oncology therapies and molecularly targeted therapies are supported by robust scientific and clinical data.

IDH1m Inhibitors

Isocitrate dehydrogenase 1 (IDH1) is a metabolic enzyme in the tricarboxylic-acid cycle, and mutated IDH1 results in the abnormal production of 2-hydroxyglutarate (2-HG). 2-HG inhibits α-KG's function in epigenetic regulation and differentiation, allowing progenitor cells to proliferate and become cancerous. Cancer patients harboring IDH1 mutations currently do not have effective treatment options. IDH1 inhibitors block mutated IDH1 (IDH1m) from producing 2-HG, allowing malignant cells to resume normal function and differentiate. In the U.S., ivosidenib (TIBSOVO) was approved by the U.S. FDA in July 2018, and it is the first and only IDH1m inhibitor on the global market with a few others under clinical development as shown in the table below. In China, ivosidenib (CS3010) of CStone is the only IDH1m inhibitor under clinical development.

Drug Code	Company	Development Status	Proposed Indications
FT-2192	Forma	Phase I/II	AML, Myelodysplastic Syndrome
DS-1001b	Daiichi Sankyo	Phase I	Glioma
BAY1436032	Bayer	Phase I	AML
IDH305	Novartis	Phase I*	AML

Source: Frost & Sullivan Analysis

* Status before the suspension of clinical trials.

The IDH1m inhibitor market is primarily driven by the number of addressable patients with AML, cholangiocarcinoma and glioma. IDH1 mutations are observed in approximately 5.5% of AML patients, 8% of cholangiocarcinoma patients and 77% of glioma patients. The number of IDH1m inhibitor addressable patients in China has been growing, and is expected to grow steadily as shown in the table below.

IDH1m Inhibitor Market in China

Indication	2013	2017	2022E	2030E	Historical CAGR (2013-2017)	Predictive CAGR (2017-2030E)	Addressable Patients (2017)
AML	17,400	18,800	20,100	22,500	1.9%	1.4%	1,600[(1)]
Cholangiocarcinoma	79,900	85,800	92,900	103,700	1.8%	1.5%	6,900[(2)]
Glioma	29,600	32,600	35,900	41,000	2.5%	1.8%	13,600[(3)]

Source: Frost & Sullivan Analysis

(1) Includes all patients eligible for first-line treatment of chemo-ineligible IDH1m AML (600) and R/R IDH1m AML (1,000)

(2) Includes all patients eligible for second-line treatment of IDH1m cholangiocarcinoma

(3) Includes all patients eligible for treatment of recurrent IDH1m Grade 2/3 glioma

KIT & PDGFRα Specific Inhibitors

KIT is a receptor tyrosine kinase that is expressed on the surface of hematopoietic stem cells and certain cancer cells. It binds to stem cell factor (SCF) and activates downstream signaling pathways for cell survival, proliferation, and differentiation. Similarly, platelet-derived growth factor receptor α (PDGFRα) is also a receptor tyrosine kinase, but it binds to the PDGF family of proteins, and it also plays a role in cellular survival, growth, and differentiation. PDGFRα and KIT are both commonly mutated in gastrointestinal stromal tumors (GIST). Globally, there is currently no marketed KIT or PDGFRα specific inhibitor. In China, avapritinib (CS3007) of CStone is the only KIT or PDGFRα specific inhibitor under clinical development.

The KIT and PDGFRα specific inhibitor market is primarily driven by the number of addressable patients with GIST. The PDGFRα D842V mutation is found in approximately 5% of frontline unresectable or metastatic GIST patients, according to the Frost & Sullivan Report. Mutation in the PDGFRα gene are also observed in approximately 65.0% of aggressive SM patients. The number of KIT and PDGFRα addressable GIST patients in China has been growing, and is expected to grow steadily as shown in the table below.

PDGRFa inhibitor Market in China

Indication	2013	2017	2022E	2030E	Historical CAGR (2013-2017)	Predictive CAGR (2017-2030E)	Addressable Patients (2017)
GIST	26,200	30,000	34,600	43,300	3.4%	2.9%	20,900(1)
ASM	4,200	4,400	4,800	5,300	1.4%	1.5%	1,300(2)

Source: Frost & Sullivan Analysis

(1) Includes all patients eligible for first-line treatment of PDGRFα mutated local advanced unresectable or recurrent GIST (600) and third-line treatment GIST (20,300)

(2) Includes all patients eligible for second-line treatment of aggressive systemic mastocytosis (ASM)

FGFR4 Inhibitors

FGFR4 stands for fibroblast growth factor receptor 4, which has a high affinity for FGF19 and regulates bile acid synthesis as well as glucose and lipid metabolism. FGFR4 belongs to a family of highly homologous receptors, which includes FGFR1-4. FGFR4, and its ligand, FGF19, regulate bile acid metabolism in hepatocytes and liver regeneration following injury. FGF19 is normally produced in the small intestine and signals to hepatocytes through an endocrine mechanism. FGF19 forms an active signaling complex together with FGFR4 and its co-receptor Klotho-β. Signaling of the active complex leads to decreased CYP7A1 transcription with a resultant decrease in bile acid synthesis, as well as increased growth, proliferation and survival signals. Aberrant activation of FGFR4 signaling is a driver in a subset of HCC patients. In these patients, FGF19 is overexpressed in hepatocytes (which do not normally express FGF19), leading to autocrine signaling and tumor growth. FGFR4 inhibitors bind to the kinase domain of FGFR4, thereby preventing downstream pathway activation. Globally, there are currently no marketed FGFR4 inhibitors; however, some FGFR4 inhibitor drug candidates are undergoing clinical development.

The FGFR4 inhibitor market is primarily driven by the number of addressable patients with HCC. FGF19 is overexpressed in approximately 20% of HCC patients in China. The number of FGFR4 addressable HCC patients in China has been growing, and is expected to grow steadily as shown in the table below.

FGFR4 Inhibitor Market in China

Indication	2013	2017	2022E	2030E	Historical CAGR (2013-2017)	Predictive CAGR (2017-2030E)	Addressable Patients (2017)
HCC	396,200	440,200	498,200	613,500	2.7%	1.8%	53,100(1)

Source: Frost & Sullivan Analysis

(1) Includes all patients eligible for first-line treatment of FGF19 positive advanced/refractory HCC

RET Inhibitors

RET is a receptor tyrosine kinase for the glial cell-derived neurotrophic factor (GDNF) family of ligands. RET leads to downstream activation of the PI3K pathway, RAS-RAF pathway, and others. Mutations and fusions of RET have been associated with various cancers. RET mutations are also a hallmark of the hereditary cancer syndrome multiple endocrine neoplasia. RET is a signaling receptor for the GDNF family of ligands including GDNF, neurturin, artemin, and persephin. These ligands play a key role in regulating cell survival, differentiation, and chemotaxis. Oncogenic activation of RET autophosphorylates at Tyr1062, which leads to downstream activation of the ERK-MAPK pathway and the PI3K-ATK pathway. Both pathways play a major role in cancer cell survival and proliferation. RET inhibitors and multikinase inhibitors bind to the kinase region of RET, thereby preventing activation of downstream pathways. Globally, there are only two clinical-stage drug candidates targeting RET selectively, BLU-667 (Blueprint) and LOXO292 (Loxo Oncology), both of which are currently undergoing clinical development outside of China.

The RET inhibitor market is primarily driven by the number of addressable patients with NSCLC, MTC and PTC. NSCLC accounts for 85% of total lung cancer patients in China, and 1% to 2% of NSCLC patients express RET-fusion. MTC accounts for 3% of total thyroid cancer patients and 60% of MTC patients express RET-fusion. PTC accounts for 90% of total thyroid cancer patients and 10% of PTC patients express RET-fusion. The number of RET addressable NSCLC, MTC and PTC patients in China has been growing, and is expected to grow steadily as shown in the table below.

RET inhibitor Market in China

Indication	2013	2017	2022E	2030E	Historical CAGR (2013-2017)	Predictive CAGR (2017-2030E)	Addressable Patients (2017)
NSCLC	640,500	734,300	839,000	1,069,900	3.5%	2.9%	11,300[(1)]
MTC	4,200	9,100	21,000	36,700	21.0%	11.3%	3,000[(2)]
PTC	113,000	241,900	559,100	977,400	21.0%	11.3%	24,200[(3)]

Source: Frost & Sullivan Analysis

(1) Includes all patients eligible for treatment of RET-fusion NSCLC

(2) Includes all patients eligible for treatment of RET-fusion MTC

(3) Includes all patients eligible for treatment of RET-fusion PTC

MEK Inhibitors

MEK, also known as MAP2K or MAPKK, is an intracellular kinase enzyme that phosphorylates MAPK in the MAPK/ERK signaling pathway. Inhibiting MEK leads to blocked cell proliferation and apoptosis. The RAS-RAF-MEK1/2-ERK1/2 pathway is considered the "classical MAPK pathway", and is one of the most commonly deregulated signaling pathways in cancer. For instance, BRAF is mutated in more than 50% of melanoma, while RAS genes are mutated in 60% of pancreatic cancer and 20% of lung cancer. Inhibition of MEK prevents downstream activation of ERK which leads to cell growth and proliferation. It also prevents the ERK-RAF feedback loop that leads to inhibition of apoptosis. Globally, the U.S. FDA has approved three MEK inhibitors for combined treatment with B-Raf inhibitors, namely Mekinist®, Cotellic® and Mektovi®. There is currently no MEK inhibitor marketed in China.

According to Frost & Sullivan, in 2017 the global sales revenue of MEK inhibitors achieved a total of US$933 million. The MEK inhibitor market is primarily driven by the number of addressable patients with NSCLC and ATC. NSCLC accounts for 85% of total lung cancer patients, and 3% of NSCLC patients have BRAF mutations. ATC accounts for 2% of total thyroid cancer patients and 50% of ATC patients have BRAF mutations. The increasing popularity of health checkups in China is an important factor driving rapid growth of diagnosis and treatment of thyroid cancer in China. The number of MEK inhibitor addressable patients has been growing, and is expected to grow steadily as shown in the table below.

MEK inhibitor Market in China

Indication	2013	2017	2022E	2030E	Historical CAGR (2013-2017)	Predictive CAGR (2017-2030E)	Addressable Patients (2017)
NSCLC	640,500	734,300	839,000	1,069,900	3.5%	2.9%	8,800(1)
ATC	2,800	6,000	14,000	24,400	21.0%	11.3%	3,000(2)

Source: Frost & Sullivan Analysis

(1) Includes all patients eligible for treatment of advanced metastatic BRAF V600E NSCLC

(2) Includes all patients eligible for treatment of local advanced metastatic BRAF V600E ATC

REPORT COMMISSIONED BY FROST AND SULLIVAN

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the worldwide and China oncology drug markets. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the oncology drug market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB680,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful listing or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

OVERVIEW OF PRC REGULATIONS

This section summarizes the principal PRC laws, rules and regulations that are relevant to our business.

REGULATORY REGIME

Major Regulatory Authorities

The drug industry in the PRC is mainly administered by three governmental agencies: the National Medical Products Administration (國家藥品監督管理局), a department under the State Administration for Market Regulation (國家市場監督管理總局), the National Health Commission (國家衛生健康委員會) and the National Healthcare Bureau (國家醫療保障局).

The National Medical Products Administration, or the NMPA, which inherits the drug supervision function from its predecessor China Food and Drug Administration, or CFDA, is the primary drug regulator responsible for almost all of the key stages of the life-cycle of pharmaceutical products, including non-clinical researches, clinical trials, marketing approvals, manufacturing, advertising and promotion, distribution and pharmacovigilance.

The National Health Commission, or the NHC, formerly known as the National Health and Family Planning Commission, is China's chief healthcare regulator. It is primarily responsible for drafting national healthcare policy and regulating public health, medical services and health contingency system, coordinating the healthcare reform and overseeing the operation of medical institutions and practicing of medical personnel.

The National Healthcare Bureau, a new authority established in May 2018, is responsible for (1) drafting and implementing policies, plans and standards on medical insurance, maternity insurance and medical assistance; (2) administering healthcare fund; (3) formulating a uniform medical insurance catalogue and payment standards on drugs, medical disposables and healthcare services; and (4) formulating and administering the bidding and tendering policies for drugs and medical disposables.

Reform of the Drug Approval System

In August 2015, the State Council promulgated the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (關於改革藥品醫療器械審評審批制度的意見), or the Reform Opinions, which established a framework for reforming the evaluation and approval system for drugs and medical devices and equipment. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs.

On October 8, 2017, the General Office of the Chinese Communist Party's Central Committee and the General Office of the State Council jointly issued the Opinion on Strengthening the Reform of the Drug and Medical Device Review and Approval Process to Encourage Drug and Medical Device Innovation (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見), or the Innovation Opinion. Highlights of the Innovation Opinion include the following:

- Deregulation of clinical trial management: (i) once the ethics committee of the principal clinical trial site completes its ethics review for a clinical trial, no review by other clinical sites is necessary; (ii) after a clinical trial application is filed, if the NMPA does not raise any issues or reject the application within a certain period, the application is deemed to be approved and the applicant may proceed with the trials; (iii) data from overseas multi-center clinical trials can be used to support a marketing authorization application in China, provided that the data satisfies the NMPA's requirements as accepted category or under certain circumstances, partially accepted category; and (iv) foreign companies and research entities can conduct new drug clinical trials in China and other regions outside China simultaneously.

- Acceleration of review and approval process: a special fast-track approval system will be available for urgently needed therapies and orphan drugs.

- Promotion of drug innovation: (i) a patent linkage system will be established that the applicant should submit a statement of patent rights with the application for a drug marketing authorization. The applicant must provide notice to the patent rights holder within a specific period of time, and during any suit that follows, the NMPA may continue to review the application but may make a determination that the application will be not approved until the end of the patent litigation or for a certain period of time; (ii) a pilot patent term restoration program will be established that the government will provide certain compensation for the loss of patent term due to delays caused by the clinical trial and drug review process.

- Expansion of the marketing authorization system: the marketing authorization holder system piloted in 2016 will be implemented throughout China for both drugs and devices, allowing research individuals and institutions to become marketing authorization holders.

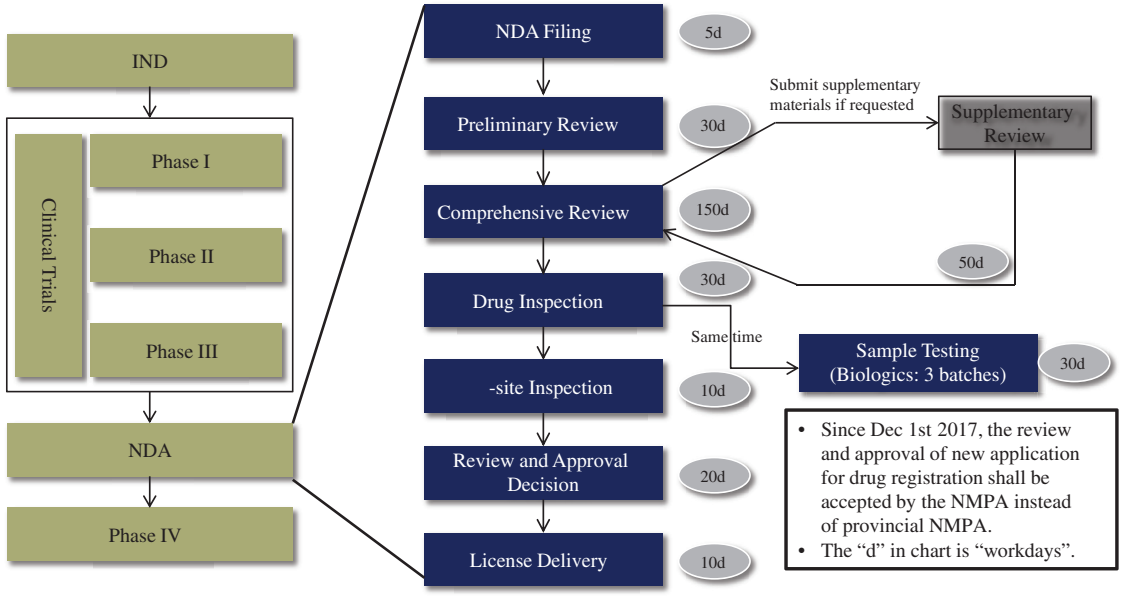
The NMPA has issued several regulations for implementing the reforms proposed in the Innovative Opinion, and it is expected that more implementation measures will be issued in the future.

Regulations in relation to the Registration of New Drugs

Drug Registration Overview

The diagrammatic flow charts below show a general drug registration approval procedures in China and a comparison of such procedures to the drug registration process and timeline in the U.S. The steps and timelines in the diagrams below are indicative for China and the U.S. and they are also indicative for many other countries or territories such as Australia and Taiwan, but the actual procedures and timelines for approving a drug registration are varied from case to case.

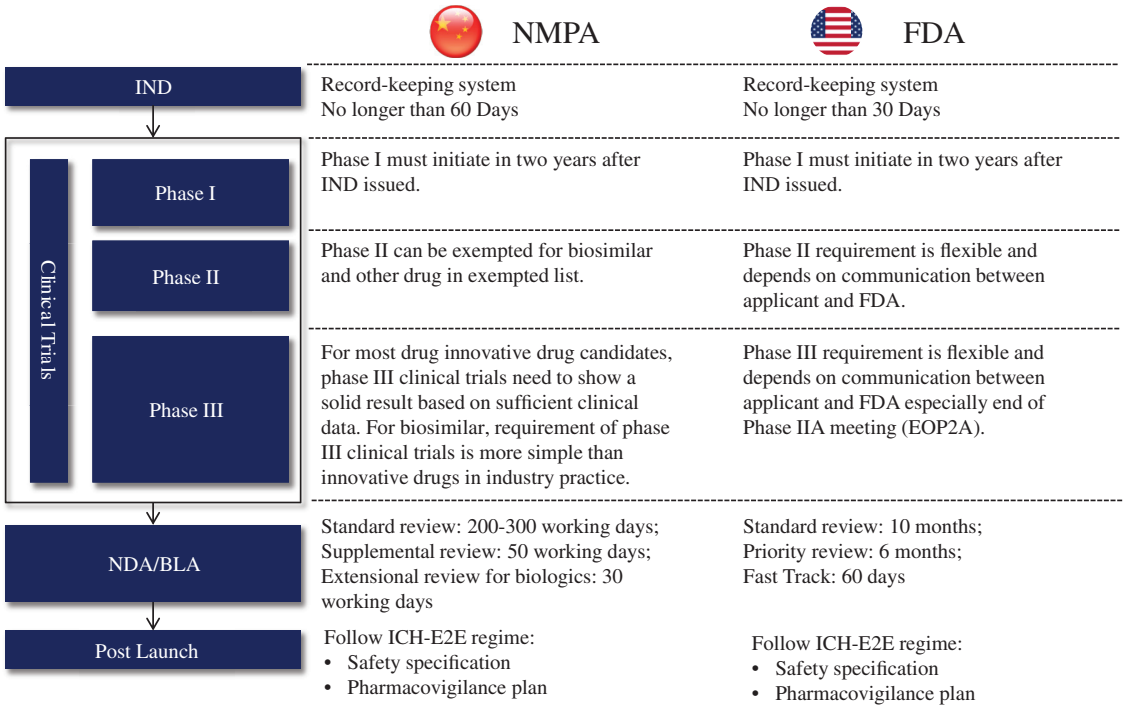
Drug Registration Procedure in China[(1)]



(1) For illustrative purposes only. Certain procedures may be waived pursuant to laws and regulations. Please refer to "– Regulations relating to International Multi-Center Clinical Trials and Acceptance of Overseas Clinical Trial Data" for more details.

Source: CMA, Frost & Sullivan analysis

Comparison of Registration Procedure in China and US



Source: CMA, Frost & Sullivan analysis

Non-Clinical Research

The non-clinical safety evaluation study for drugs for the purpose of applying for marketing approval shall be conducted in accordance with the Administrative Measures for Good Laboratories Practice (藥物非臨床研究質量管理規範), which was promulgated in August 2003 and revised in July 2017 by the NMPA. In April 2007, the NMPA issued a Circular on Measures for Certification of Good Laboratory Practice (藥物非臨床研究質量管理規範認證管理辦法), which sets forth the requirements for an institution to apply for a GLP certificate to undertake drug non-clinical research.

Clinical Trial Application

According to the Administrative Measures for Drug Registration (藥品註冊管理辦法), or Circular 28, which took effect on October 1, 2007, the applicant must obtain the approval from the NMPA to conduct new drug clinical trials. 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 NMPA's decision on the approval of clinical trials is delegated to the Center for Drug Evaluation under the NMPA, or CDE. In July 2018, the NMPA promulgated 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), according to which, if a clinical trial applicant does not receive any negative opinions or questions from the CDE within 60 days after the date the trial application is accepted and the fees are paid, the applicant can proceed with the clinical trial in accordance with the trial protocol submitted to the CDE.

After obtaining the clinical trial authorization from the NMPA, the applicant must register the clinical trial at the Drug Clinical Trial Information Platform for public disclosure in accordance with the Announcement on Drug Clinical Trial Information Platform (關於藥物臨床試驗信息平臺的公告), which came into effect in September 2013. The applicant shall complete the initial registration within one month after obtaining the clinical trial authorization and complete follow-up registration before the first subject's enrollment in the trial.

Conduct of Clinical Trial

The clinical trial must be conducted at a site certified by the NMPA according to the Procedures for Determination of Qualification of Institutions for Drug Clinical Trials (Trial) (藥物臨床試驗機構資格認定辦法(試行)), which came into effect on March 1, 2004.

According to Circular 28, a clinical trial consists of Phases I, II, III and IV. Phase I refers to the initial clinical pharmacology and safety evaluation studies in humans. Phase II refers to the preliminary evaluation of a drug candidate's therapeutic effectiveness and safety for particular indications in patients, with an aim to providing evidence and support for the design of Phase III clinical trials and to settling the administrative dose regimen. Phase III refers to clinical trials undertaken to confirm the therapeutic effectiveness of a drug. Phase III is used to further verify the drug's therapeutic effectiveness and safety on patients with target indications, to evaluate the overall benefit-risk relationships of the drug, and ultimately to provide sufficient evidence for the review of drug registration application. Phase IV refers to a new drug's post-marketing study to assess therapeutic effectiveness and adverse reactions when the drug is widely used, to evaluate the overall benefit-risk relationship of the drug when used for the general population or specific groups and to adjust the administration dose.

According to the Drug Registration Administrative Measures (藥品註冊管理辦法), the minimum patient enrollment for clinical trials of biological products is 20 subjects for a Phase I trial, 100 subjects for a Phase II trial and 300 subjects for a Phase III trial, respectively. The minimum patient enrollment numbers are subject to changes as required by and based on results of discussion with the NMPA. Clinical trials must be conducted in accordance with the Good Clinical Practice for Drug Trials (藥物臨床試驗質量管理規範), which took effect on September 1, 2003 and sets forth the requirements for conducting the clinical trial, including preparation of clinical trials, clinical trial protocol, duties of the sponsor and investigators and protection of the trial subjects.

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

On January 30, 2015, the NMPA promulgated the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) (國際多中心藥物臨床試驗指南(試行)), or the IMCT Guidelines, effective as of March 1, 2015, to provide guidance for the regulation of application, implementation and administration of international multi-center clinical trials in China. Pursuant to the IMCT Guidelines, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicant plans to make use of the data derived from the international multi-center clinical trials for application to the NMPA for approval of an NDA, such international multi-center clinical trials shall satisfy the following requirements, in addition to the requirements set forth in the Drug Administration Law (藥品管理法) and its implementation regulations, Circular 28 and relevant laws and regulations:

- The applicant shall first conduct an overall evaluation on the global clinical trial data and further make trend analysis of the Asian and Chinese clinical trial data. In the analysis of Chinese clinical trial data, the applicant shall consider the representativeness of the trial subjects;

- The applicant shall analyze whether the number of Chinese trial subjects is sufficient to assess and adjudicate the safety and effectiveness of the drug under clinical trial and to satisfy the statistical and relevant legal requirements; and

- The onshore and offshore international multi-center clinical trial sites shall be subject to on-site inspections by the competent PRC governmental agencies.

International multi-center clinical trials shall follow international prevailing GCP principles and ethics requirements. Applications shall ensure the truthfulness, reliability and trustworthiness of clinical trials results. The researchers shall have the qualification and capability to perform relevant clinical trials, and an ethics committee shall continuously review the trials and protect the subjects' interests, benefits and safety. Before the performance of the international multi-center clinical trial, applicants shall obtain clinical trial authorizations or complete filings pursuant to requirements under the local regulations where clinical trials are conducted, and register and disclose the information of all major researchers and clinical trial institutions on the Drug Clinical Trial Information Platform.

Data derived from international multi-center clinical trials can be used for the new drug application, or NDA, in China. When using international multi-center clinical trial data to support NDAs in China, applicants shall submit the completed global clinical trial report, statistical analysis report and database, along with relevant supporting data in accordance with ICH-CTD (International Conference on Harmonization-Common Technical Document) content and format requirements. Subgroup research results summary and comparative analysis shall also be conducted concurrently.

On October 10, 2017, the NMPA released the Decision on Adjusting Administrative Management for Drug Import Registrations (關於調整進口藥品註冊管理有關事項的決定), which includes the following key points:

- Cancellation of the previous requirement that drugs used for clinical trials to be approved in another country or to have been in Phase II or Phase III trials elsewhere before an international multi-center trial can be conducted in China for that drug (excluding vaccines);

- For a foreign drug on which the international multi-center trial has already been conducted in China, the applicant may directly apply for market approval with the NMPA after the multi-center trial is completed; and

- A foreign manufacturer may apply for importation of an imported new chemical drug or innovative therapeutic biological product before the product has been approved in its home country or region.

In May 2018, National Health Commission of the People's Republic of China published Announcement about Optimization of Drug Registration and Approval Related Matters《關於優化藥品註冊審批相關事宜的公告》, or the Announcement, which provides that, orphan drugs approved overseas treating rare diseases or diseases without any reliable therapy available within China may enjoy a favorable status in applying for clinical trial waivers or bridging trials if the applicant's overseas data show that there is no significant difference between races.

In addition, on July 6, 2018, the NMPA issued the Technical Guiding Principles for the Acceptance of the Overseas Clinical Trial Data of Drugs (接受藥品境外臨床試驗數據的技術指導原則), or the Guiding Principles, which expanded the acceptance of overseas clinical data beyond the Announcement and provides that overseas clinical data can be submitted for all of the drug registration applications in China. Such applications can be in the form of waivers to China-based clinical trials, bridging trials and direct NDA applications.

The Guiding Principles lists the basic principles on the acceptance of overseas clinical trial data, including the requirements that (i) the applicant shall ensure that the overseas clinical trial data are truthful, complete, accurate and traceable, (ii) the process of generating the overseas clinical trial data shall comply with the relevant requirements of the Good Clinical Practice of the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, (iii) the applicant shall ensure that the clinical trial design and the quality management systems are compliant with relevant requirements, and the statistical analysis accurate and complete. More specifically, with respect to reporting statistical analysis, the applicant shall provide complete clinical trial data obtained overseas in full and the data shall not be selectively provided. The applicant should also follow Drug Registration Administrative Measures (藥品註冊管理辦法) to prepare the clinical data application package, and the overseas clinical trial data used in support of the applications should include information and data on biopharmaceutics, clinical pharmacology, efficacy and safety of the drugs. Moreover, the applicant should also comply with the ICH-E5 (Ethnic Factors in the Acceptability of Foreign Clinical Data) to provide analysis on the consistency between the Chinese and other populations to support the applicability of overseas clinical data to the Chinese population.

Under the Guiding Principles, the NMPA may fully or partially accept the data or refuse the clinical trial data according to the quality of the overseas clinical data. For the clinical data to be fully accepted, the data have to be reliable and true, compliant with of the Good Clinical Practice of the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, showing the efficacy and safety towards the target disease and that racial difference does not affect the drug candidate's efficacy or safety. Moreover, if a drug addresses China's urgent healthcare needs, then the applicant may enjoy a favorable status in applying for waivers to China-based clinical trials, bridging trials and direct NDA applications.

Other than the clinical trial waiver or bridging trial application mentioned above, the key steps and timelines for international multi-center clinical trials and the trials that use overseas clinical trial data are similar to clinical trials that do not involve such elements. See "– Regulations in relation to the Registration of New Drugs – Drug Registration Overview".

New Drug Application

Pursuant to Circular 28, when Phases I, II and III of clinical trials are completed, the applicant may apply to the NMPA for approval of the NDA. The NMPA then determines whether to approve the application according to applicable laws and regulations. The applicant must obtain approval of an NDA before the drugs can be manufactured and sold in the China market.

Reclassification of Chemical Drugs

In March 2016, the NMPA issued the Reform Plan for Registration Category of Chemical Drugs (化學藥品註冊分類改革工作方案), or the Drug Reclassification Plan, which outlined the reclassifications of drug applications under Circular 28. Under the Drug Reclassification Plan, Category 1 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 2. Generic drugs, which have equivalent quality and efficacy to the originator's drugs and have been marketed abroad but not yet in China, fall into Category 3. Generic drugs, which have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China. Category 1 drugs and Category 5 drugs can be registered through the domestic new drug application and the imported drug application procedures under Circular 28, respectively.

Classification of Biologics Drugs

The Drug Registration Regulation (Revised 2007) in China classifies therapeutic biologics into 15 categories.

(1) Products that have not been marketed in China and other countries;

(2) Monoclonal antibodies;

(3) Gene therapy, somatic cell therapy and related products;

(4) Allergen products;

(5) Multicomponent bioactive products extracted from human/animal tissue/body fluid, or produced by fermentation;

(6) New combination products made from marketed biologics;

(7) Products which have been marketed in other countries but not China;

(8) Microbiological products that have not been approved for use in China;

(9) Products that do not have the exact same structures as marketed products and have not been marketed in China or overseas (including locus mutation or absence of amino acid, changes in post-translational mutation or absence of amino acid, changes in post-translational modification caused by using different expression systems, and chemical modification of the product);

(10) Biologics made by a different method compared with the marketed products, such as by different expression systems or by different host cells;

(11) The first product made by the recombinant DNA method (for example, replacement of synthesis, tissue extraction or fermentation technologies by recombinant DNA technology);

(12) Products changed from non-injection route to injection route or from topical use to systemic use, which have not been marketed in China or other countries;

(13) Marketed products with a new formulation but same route of administration;

(14) Marketed products with a new route of administration (excluding Category 12); and

(15) Products with existing national standards.

From categories (1) to (12), the biologics have to go through regular drug registration procedures as illustrated above with variations depending on the drug application's pathway. There are three pathways for drug registration in China, including novel drug pathway, biosimilar pathway and generic drug pathway. Approvals for new, non-generic drugs can only be applied through the novel drug pathway where waivers for one or more phase(s) of clinical trials may be granted upon relevant authorities' permission.

Prioritized Examination and Approval for Registration of Certain Drugs

In November 2015, the NMPA promulgated the Circular Concerning Several Policies on Drug Registration Review and Approval (關於藥品註冊審評審批若干政策的公告), which provides that a fast track clinical trial approval or drug registration pathway can be available for the following applications: (1) registration of innovative new drugs treating HIV, cancer, serious infectious diseases and orphan diseases; (2) registration of pediatric drugs; (3) registration of geriatric drugs and drugs treating China-prevalent diseases in elders; (4) registration of drugs listed in national major science and technology projects or national key research and development plan; (5) registration of innovative drugs using advanced technology, using innovative treatment methods, or having distinctive clinical benefits; (6) registration of foreign innovative drugs to be manufactured locally in China; (7) concurrent applications for new drug clinical trials which are already approved in the United States or European Union or concurrent drug registration applications for drugs which have applied to the competent drug approval authorities for marketing authorization and passed such authorities' onsite inspections in the United States or European Union and are manufactured using the same production line in China; and (8) CTAs for drugs with urgent clinical need and patent expiry within three years, and manufacturing authorization applications for drugs with urgent clinical need and patent expiry within one year.

On December 21, 2017, the NMPA promulgated 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) to replace the Opinions on Priority Review and Approval for Resolving Drug Registration Applications Backlog (關於解決藥品註冊申請積壓實行優先審評審批的意見) promulgated by the NMPA in February 2016, which further clarified that a fast track clinical trial approval or drug registration pathway will be available for the following drugs:

(1) the following drugs with distinctive clinical benefits: (1) registration of innovative drugs not sold within or outside China; (2) registration of innovative drugs transferred to be manufactured locally in China; (3) registration of drugs using advanced technology, innovative treatment methods, or having distinctive treatment advantages; (4) CTAs for drugs with patent expiry within three years, and manufacturing authorization applications for drugs with patent expiry within one year; (5) concurrent applications for clinical trials of new drugs which are already approved in the United States or European Union, or concurrent drug registration applications for drugs which have applied to the competent drug approval authorities for marketing authorization and passed such authorities' onsite inspections in the United States or European Union and are manufactured using the same production line in China; (6) traditional Chinese medicines (including ethnic medicines) with clear position in prevention and treatment of serious diseases; and (7) registration of new drugs which are listed in national major science and technology projects or national key research and development plans, or which are clinically trialed and designated by the National Clinical Medical Research Center; and

(2) drugs with distinctive clinical benefits for the prevention and treatment of the following diseases: HIV, phthisis, viral hepatitis, orphan diseases, cancer, children's diseases, and generic and prevalent diseases among elders.

In addition, on May 17, 2018, the NMPA and NHC jointly promulgated the Circular on Issues Concerning Optimizing Drug Registration Review and Approval (關於優化藥品註冊審評審批有關事宜的公告), which further simplified and accelerated the drug approval process.

On October 31, 2018, the NMPA and NHC jointly issued the Notice regarding Relevant Matters on the Review and Approval of Overseas New Drugs with Urgent Clinical Needs (關於臨床急需境外新藥審評審批相關事宜的公告), which provides that a special approval system will be available to the following new drugs with urgent clinical needs that have been marketed in the United States, Europe or Japan within the last decade: (1) drugs for orphan diseases; (2) drugs for serious or life-threatening diseases that lack effective treatment or prevention methods; (3) drugs for serious or life-threatening diseases with distinctive treatment advantages. On November 1, 2018, CDE has published the list of first batch of forty drugs entitled to the special approval system. Under the special approval system, the technology review during the drug registration approval process will be completed within three months for drugs for orphan diseases, or six months for the other eligible new drugs, provided that there are no race and ethnicity differences.

Compassionate Use Programs

In December 2017, the NMPA proposed the Administrative Measures for Compassionate Use of Investigational Drugs (拓展性同情使用臨床試驗用藥物管理辦法, "Draft Compassionate Use Measures") for public comments. The Draft Compassionate Use Measures sets forth the definition, purposes, criteria and application process of compassionate use or expanded access. The compassionate use is limited to patients with (i) life-threatening diseases or (ii) diseases that have a severe impact on the quality of life that require early intervention and where there is no effective therapies available. The applicant must obtain the approval from the CDE to conduct compassionate use study, and the data generated can be used to support subsequent NDA application. However, it is currently uncertain when the Draft Compassionate Use Measures will be formally adopted.

In the United States, the FDA offers a potential pathway for a patient with an immediately life-threatening condition or serious disease or condition to gain access to an in investigational medical product for treatment outside of clinical trials when no comparable or satisfactory alternative therapy options are available. The pharmaceutical company has to provide the investigational medical product and either submits the expanded access request to FDA, allows the FDA to cross-reference their IND (for drugs and biologics) or IDE (medical devices) on behalf of the expanded access sponsor-investigator through the use of a letter of authorization, or provides the necessary investigational medical product information for the sponsor-investigator to submit to support an expanded access request.

In Australia, the TGA oversees the Special Access Scheme (SAS), which provides for the importation and/or supply of an unapproved therapeutic good for a single patient, on a case-by-case basis. Depending on the patients and drug types, the SAS applications are categorized into different pathways, and in general, the pharmaceutical company supplying the unapproved drugs needs to provide to the TGA the details of the product supplied, monitor the use of the product, adverse drug reaction reporting and the changes with respect to the product's benefit-risk profile.

Pilot Plan for the Marketing Authorization Holder System

Under the authorization of the Standing Committee of the National People's Congress, the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder System (藥品上市許可持有人制度試點方案) on May 26, 2016, which provides a detailed pilot plan for the marketing authorization holder system, or MAH System, for drugs in 10 provinces in China. Under the MAH System, domestic drug research and development institutions and individuals in the pilot regions are eligible to be holders of drug registrations without having to become drug manufacturers. The marketing authorization holders may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and GMP-certified, and are also located within the pilot regions. Drugs that qualify for the MAH System are: (1) new drugs (including Category 1 and 2 drugs under the Drug Reclassification Plan) approved after the implementation of the MAH System; (2) generic drugs approved as Category 3 or 4 drugs under the Drug Reclassification Plan; (3) previously approved generics that have passed equivalence assessments against original drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the pilot regions, but which have moved out of the pilot regions due to corporate mergers or other reasons.

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

Sampling and Collecting Human Genetic Resources Filing

On June 10, 1998, the Ministry of Science and Technology and the Ministry of Health promulgated the Interim Administrative Measures on Human Genetic Resources (人類遺傳資源管理暫行辦法), which established the rules for protecting and utilizing human genetic resources in the PRC. According to the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南) issued by the Ministry of Science and Technology on July 2, 2015 and the Circular on Implementing the Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources (關於實施人類遺傳資源採集、收集、買賣、出口、出境行政許可的通知) issued by the Ministry of Science and Technology on August 24, 2015, the sampling and collection of human genetic resources though clinical trials by a foreign-invested sponsor shall be required to file with the China Human Genetic Resources Management Office through the online system. On October 26, 2017, the Ministry

of Science and Technology promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (關於優化人類遺傳資源行政審批流程的通知) simplifying the approval of sampling and collecting human genetic resources for the purpose of marketing a drug in the PRC.

Administrative Protection and Monitoring Periods for New Drugs

According to Circular 28 and the Drug Reclassification Plan, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for new Category 1 drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period of a new drug, the NMPA will not accept other applications for new drugs containing the same active ingredient, with the exception that the NMPA will continue the regular examination process if, prior to the commencement of the monitoring period, the NMPA has already approved the applicant's clinical trial for a similar new drug. If such application meets the relevant requirements, the NMPA may approve such applicant to manufacture or import the similar new drug.

Implementation of ICH Guidelines

In January 2018, the NMPA announced the Principles on Adopting Secondary Guidelines of the International Conference on Harmonization of Technical Requirements for the Registration of Pharmaceuticals for Human Use (總局關於適用國際人用藥品註冊技術協調會二級指導原則的公告(2018年第10號)) (the "Principles") to promote innovation, international pharmaceutical registration integration and registration acceleration. Under the Principles, after July 2019, disclosure of any adverse effects of approved drugs can be optionally made in accordance with M1:MedDRA Terminology and E2B(R3) Electronic Transmission of Individual Case Safety Reports Implementation Guide within the ICH Guidelines, but such disclosure compliance will become mandatory after July 2022.

Regulations in relation to the Manufacturing of Drugs

Drug Manufacturing Permit

Pursuant to the PRC Drug Administration Law (藥品管理法), which was promulgated in 1984 by the Standing Committee of the National People's Congress and most recently revised in April 2015, a drug manufacturer must obtain a Drug Manufacturing Permit from the NMPA before it starts to manufacture drug products. Prior to granting such permit, the relevant government authority will inspect the applicant's production facilities, and decide whether the sanitary conditions, quality assurance system, management structure and equipment within the facilities have met the required standards. Each Drug Manufacturing Permit is valid for a period of five years and the manufacturer is required to apply for renewal of the permit within six months prior to its expiration date and will be subject to reassessment by the authority in accordance with then prevailing legal and regulatory requirements for the purposes of such renewal.

Good Manufacturing Practice

Pursuant to the Certification Measures for Good Manufacturing Practice for Drugs (藥品生產質量管理規範認證管理辦法) issued by the NMPA in August 2011, when establishing a pharmaceutical manufacturer or a new factory or expanding the production scope, the drug manufacturer must apply for GMP certification. The drug manufacturer that has obtained the GMP certificate should reapply for the GMP certificate 6 months prior to its expiration data.

The drug manufacturer must conduct the manufacturing process according to the Good Manufacturing Practice for Drugs (藥品生產質量管理規範) (2010 version) issued by the Ministry of Health in January 2011, which sets forth the requirements on the manufacturer's organization and staff qualifications, manufacture premises and facilities, equipment, hygiene conditions, manufacture management, product management, maintenance of sales records and the procedure of handling customer complaints and adverse reaction reports.

Contract Manufacturing of Drugs

Pursuant to the Administrative Regulations for the Contract Manufacturing of Drugs (藥品委託生產監督管理規定) issued by the NMPA in August 2014, or the Contract Manufacturing Regulations, in the event a drug manufacturer in China that has obtained a drug marketing authorization temporarily lacks manufacturing conditions as a result of technology upgrade or is unable to ensure market supply due to insufficient manufacturing capabilities, it can entrust the manufacturing of that drug to another domestic drug manufacturer. Such contract manufacturing arrangements needs to be approved by the provincial branch of the NMPA. The Contract Manufacturing Regulations prohibit the contract manufacturing arrangement of certain special drugs, including narcotic drugs, psychoactive drugs, biochemical drugs and active pharmaceutical ingredients.

Other Regulations in relation to the Pharmaceutical Industry

Drug Advertisements

Pursuant to the Provisions for Drug Advertisement Examination (藥品廣告審查辦法), which were promulgated on March 13, 2007 and came into effect on May 1, 2007, an enterprise seeking to advertise its drugs must apply for an advertising approval code. The validity term of an advertisement approval number for pharmaceutical drugs is one year. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval number shall be obtained by submitting a re-application.

Insert Sheet, Labels and Packaging of Pharmaceutical Products

According to the Measures for the Administration of the Insert Sheets and Labels of Drugs (藥品説明書和標籤管理規定) effective on June 1, 2006, the insert sheets and labels of drugs should be reviewed and approved by the NMPA. A drug insert sheet should include the scientific data, conclusions and information 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 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, description, indication or function, strength, dose and usage and adverse reaction.

According to the Measures for The Administration of Pharmaceutical Packaging (藥品包裝管理辦法) effective on September 1, 1988, pharmaceutical packaging must comply with the national and professional standards. If no national or professional standards are available, the enterprise can formulate its own standards and put into implementation after obtaining the approval of the food and drug administration or bureau of standards at the provincial level. The enterprise shall reapply with the relevant authorities if it needs to change its own packaging standard. Drugs that have not developed and received approval for packing standards must not be sold or traded in the PRC (except for drugs for military use).

Drug Technology Transfer

On August 19, 2009, the NMPA promulgated the Administrative Regulations for Technology Transfer Registration of Drugs (藥品技術轉讓註冊管理規定), or Technology Transfer Regulations, to standardize the registration process of drug technology transfer, which includes application for, and evaluation, examination, approval and monitoring of, drug technology transfer. Drug technology transfer refers to the transfer of drug production technology by the owner to a drug manufacturer and the application for drug registration by the transferee according to the provisions in the Technology Transfer Regulations. Drug technology transfer includes new drug technology transfer and drug production technology transfer.

Applications for drug technology transfer should be submitted to the drug regulatory authorities at the provincial level. The drug regulatory authority at the provincial level where the transferee is located is responsible for examining application materials for technology transfer and organizing on-site inspections of the production facilities of the transferee. If the transferor and the transferee are located in different provinces, the drug regulatory authorities at the provincial level where the transferor is located should provide examination opinions as well. The CDE should further review the application materials, provide technical evaluation opinions and form a comprehensive evaluation opinion based on the on-site inspection reports and the testing results of the samples. The NMPA will determine whether to approve the application according to the comprehensive evaluation opinion of the CDE. An approval letter of supplementary application and a drug approval number will be issued to qualified applications.

Drug Price

Pursuant to the PRC Drug Administration Law (藥品管理法), for drugs of which the prices are adjustable by the market in compliance with the law, drug manufacturers, drug distributors and medical institutions shall set its price in compliance with the principles of fairness, rationality, good faith and commensuration of price with quality, in order to provide the consumers with drugs at a reasonable price; set and indicate retailing prices in accordance with the regulations on administration over drug prices formulated by the competent pricing department under the State Council.

On May 4, 2015, the National Development and Reform Commission, the National Health and Family Planning Commission, the Ministry of Human Resources and Social Security, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the NMPA jointly issued the Notice Regarding Reforms to the Price of Medical Products (關於印發推進藥品價格改革意見的通知), pursuant to which, from June 1, 2015, except anesthetics and Class 1 psychotropic drugs, government-control pricing will be lifted and the actual drug trading prices will be decided mainly through market forces.

Regulation in relation to medical device registration

Pursuant to the Regulations on Supervision of Medical Devices (醫療器械監督管理條例) promulgated by the State Council of China and became effective on April 1, 2000, which was amended on March 7, 2014 and May 4, 2017 and the last amendment came into force on May 4, 2017, China adopts classified administration over medical devices based on the invasiveness of, and risks associated with, each medical device. Class I medical devices are those with relatively low risks whose safety and effectiveness can be guaranteed through routine administration. Class II medical devices are those devices with moderate risks whose safety and effectiveness need to be ensured with strict control and administration. Class III medical devices are those devices with relatively high risks and need special measures for strict control and administration to ensure safety and effectiveness. Pursuant to the Administrative Measures for the Medical Devices Registration (醫療器械註冊管理辦法), which became effective on October 1, 2014, producers engaging in the production of Class I medical devices are required to file with the relevant food and drug administrative authorities at the city level. Production of Class II medical devices is subject to the inspection and approval of the drug administrative authorities at the provincial level and shall obtain the grant of product registration certificates. Production of Class III medical devices is subject to the inspection and approval and the grant of product registration certificates by the NMPA.

Regulation in relation to medical examination laboratories

According to the Administrative Regulations on Medical Institutions (Revised in 2016) (醫療機構管理條例(2016修訂)) (the "Regulations"), promulgated by the State Council, effective on September 1, 1994, and revised on February 6, 2016, and the Implementation Rules to the Regulations (醫療機構管理條例實施細則), hospitals and medical examination laboratories are medical institutions. The health administrative departments of the local people's governments at or above the county level shall be responsible for the supervision and administration of the medical institutions within their respective administrative regions. The medical institutions shall conduct registration and obtain Practicing License for a Medical Institution. Where the practice of a medical institution is without authorization or the Practicing License for a Medical Institution, the health administrative department of the people's government at or above the county level must cease its practicing activities and confiscate the illegal incomes, medicines and medical devices in accordance with the law, and it can be imposed fines less than RMB10,000 in light of the circumstances. Medical institutions must conduct medical diagnosis and treatment activities in accordance with registered and approved subjects and shall not employ non-medical technical personnel in medical and health technology work.

Regulations in relation to Medical Insurance Program

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 in on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has since spread to the whole nation. 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.

On January 3, 2016, the State Council issued the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (國務院關於整合城鄉居民基本醫療保險制度的意見) to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System and the establishment of a unified Basic Medical Insurance for

Urban and Rural Residents, which will cover all urban and rural non-working residents expect for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

Medical Insurance Catalogue

Participants of the national medical insurance program and their employers, if any, are required to contribute to the payment of an insurance premium on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the medical insurance catalogue. The Notice Regarding the Tentative Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知), or the Medical Insurance Coverage Notice, issued on May 12, 1999 jointly by several authorities including, among others, the Ministry of Labor and Social Security and the Ministry of Finance, provides that a drug product listed in the medical insurance catalogue must be clinically necessary, safe, effective, reasonably priced, easy to use, and available in sufficient quantity.

The National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (國家基本醫療保險、工傷保險和生育保險藥品目錄), or the National Reimbursement Drug List, or the NRDL, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. The Ministry of Human Resources and Social Security of the PRC, together with other government authorities, have the power to determine which medicines are listed in the NRDL. Medicines listed in the NRDL are divided into two parts, List A and List B. List A drugs are widely used clinical treatments with good efficacy and lower prices compared to similar drugs, while List B drugs are clinical treatments with good efficacy and slightly higher prices compared to List A drugs. Each province is allowed to issue its own provincial drug reimbursement list (PRDL) based upon the NRDL, provided that List A drugs in the NRDL should be kept and maintained and adjustment to the List B drugs should not be greater than 15%.

The 2017 NRDL reflects an emphasis on innovative drugs and drugs that treat cancer and other serious diseases. In February 2017, the Ministry of Human Resources and Social Security of the PRC released the 2017 NRDL, the scope of which was expanded to cover 2,535 drugs in total, including 339 newly added drugs. In July 2017, the Ministry of Human Resources and Social Security of the PRC announced that the 2017 NRDL would be expanded to include an additional 36 innovative drugs, classified as List B drugs. In September 2018, the National Healthcare Bureau further announced that 17 oncology drugs would be added to List B drugs of the NRDL. Of the 17 drugs, 14 drugs belong to multinational companies and three drugs belong to domestic companies. The inclusion into the NRDL usually leads to increased sales volume but reduced drug prices that are negotiated on a case by case basis and based on factors such as the original drug price. For the 17 drugs newly included in the NRDL, the average price reduction is 56.7%, and the average reduction for drugs from multinational companies is 59.9% and the average price reduction of drugs from domestic companies is 43.8%.

With regard to reimbursement for medical devices and diagnostic tests, the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (Lao She Bu Fa[1999] No. 22) (關於印發城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見的通知) (劳社部發[1999]22號)) prescribes the coverage of diagnostic and treatment devices and diagnostid tests where part of the fees is paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies.

Regulations in relation to Intellectual Properties

Patent

Patents in the PRC are mainly protected under the Patent Law (專利法), which was passed by the Standing Committee of the National People's Congress on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and its Implementation Rules (專利法實施細則), which were promulgated by the State Council on June 15, 2001 and amended on December 28, 2002 and January 9, 2010. The Patent Law and its Implementation Rules provide for three types of patents, "invention", "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, and the duration of a patent right for "utility model" or "design" is 10 years, from the date of application.

Trademarks

Registered trademarks are protected under the Trademark Law (商標法) adopted on August 23, 1982 and most recently revised on August 30, 2013. The Trademark Office is responsible for the registration and administration of trademarks throughout China and grants a term of 10 years to registered trademarks. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing rights of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained "sufficient degree of reputation" through that person's use. After receiving an application, the Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Within three months after such public announcement, any person may file an opposition against a

trademark that has passed a preliminary examination. One may appeal from the Trademark Office's decisions on rejection, opposition or cancellation of an application to the Trademark Review and Adjudication Board whose decision may be further appealed through judicial proceedings.

If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the Trademark Office will approve the registration, issue a registration certificate and make an announcement, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked. In the case of a trademark infringement, where the actual loss suffered by the right holder is as a result of the infringement and the profits earned by the infringing party from the violation of the trademark and the royalties of the registered trademark concerned are difficult to determine, the people's court will render a judgment on awarding damages of up to RMB3 million depending on the circumstances of the infringing acts.

Copyright

The PRC Copyright Law (著作權法) was promulgated on September 7, 1990 (later amended on October 27, 2001 and February 26, 2010) and Implementation Regulations of the Copyright Law of PRC (著作權法實施條例) was promulgated on August 2, 2002 (later amended on January 8, 2011 and January 30, 2013) by the State Council. These laws and regulations provide the classification of works and the obtaining and protection of copyright in China.

Regulations in relation to Foreign Investment

Foreign Direct Investment

The Interim Measures for Record-filing Administration over the Establishment and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法), or the Record-filing Interim Measures, was promulgated by the Ministry of Commerce, which took effect from October 8, 2016 and was revised on July 30, 2017 and June 29, 2018. Previously, a strict admission administration and case-by-case approval regime for foreign investment was operated under the PRC law regime. The Record-filings Interim Measures indicates that the regulatory approach has now shifted to a general filing and negative list approval regime. The Record-filing Interim Measures provides that the establishment and change of foreign-invested enterprises that do not involve the special market entry regulatory measures (as provided in a negative list) are required to make an administrative record-filing only. Such record-filing procedures shall be conducted by uploading relevant documents via the comprehensive management information system for foreign investment.

According to further provisions in the Announcement on Matters Related to the Administration of the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (關於外商投資企業設立及變更備案管理有關事項的公告) promulgated by the Ministry of Commerce which took effect from July 30, 2017, in the pilot free trade zones, the scope for implementing the special market entry regulatory measures shall be subject to the provisions of the Special Management Measures for Market Entry of Foreign Investment in Pilot Free Trade Zones (Negative List) (2018 version) announced by NDRC and MOFCOM on June 30, 2018; outside the pilot free trade zones, the scope for implementing the special market entry regulatory measures as required by the State shall be subject to the provisions of the Special Management Measures for Market Entry of Foreign Investment (Negative List) (2018 version) announced by NDRC and MOFCOM on June 28, 2018.

Foreign Exchange Administration

The principal law governing foreign currency exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange (外匯管理條例), or the Foreign Exchange Regulations, which was enacted by the State Council on January 29, 1996 and most recently revised on August 5, 2008. According to the Foreign Exchange Regulations, Renminbi is freely convertible for "current account transactions," which include, among other things, dividend payments, interest and royalties payments, trade and service-related foreign exchange transactions. For "capital account transactions" which principally include direct investments, loans, securities investments and repatriation of investments, prior approval of and registration with the State Administration of Foreign Exchange (SAFE) or its local branches is generally required.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or SAFE Circular 19, which came into effect on June 1, 2015 and replaced the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) promulgated by SAFE on August 29, 2008. Under the SAFE Circular 19, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account, i.e., a bank account opened by a foreign-invested enterprise where the foreign shareholder(s) are required to remit and deposit the amount of respective capital contributions, for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). Meanwhile, the use of such Renminbi funds should still comply with the restrictions set in this circular in the sense that it cannot be directly or indirectly used for making payments beyond the business scope of the enterprise or payments prohibited by national laws and regulations, investing in securities unless otherwise provided by laws and regulations, granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) repaying the bank loans in Renminbi that have been lent to a third party, and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

On June 9, 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (關於改革和規範資本專案結匯管理政策的通知), or SAFE Circular 16, which took effect on the same day. According to the SAFE Circular 16, enterprises registered in China could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital and external debts), which is applicable to all enterprises registered in China. It reiterated that Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company's scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

Circular 37

The Circular on Related Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Round-trip Investment via Special Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular 37, was promulgated by the SAFE and came into effect on July 4, 2014. Under Circular 37, PRC residents, individuals or institutions are required to register with the bureau of foreign exchange administration before they invest in a special purpose vehicle (SPV) with legitimate assets or equity interests inside and outside the PRC. In addition, any PRC resident that is a shareholder of an offshore SPV is required to amend its SAFE registration in a timely manner after any major changes of the offshore SPV being made, such as any increase or decrease of capital, stock right assignment or exchange, or merger or division. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the subsequent foreign exchange activities of the relevant PRC residents, including the remitting back of dividends and profits. PRC residents who invest in an SPV with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular 37, but fail to conduct the foreign exchange registration of overseas investments, must submit an explanatory statement and state the reasons to SAFE. SAFE may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by the PRC resident that applies for complementary registration, administrative penalties could be imposed in accordance with relevant laws.

According to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知), which was promulgated by SAFE on February 13, 2015 and came into effect on June 1, 2015, registrations under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that has opened the capital account information system at the foreign exchange regulatory authority in the place where it is located. Foreign exchange regulatory authorities will perform indirect regulation over the direct investment-related foreign exchange registration via the banks.

Other Regulations in relation to Our Business

Dividend Distribution

The principal laws governing dividend distributions by PRC companies include the PRC Company Law (公司法), which was promulgated on December 29, 1993 and most recently revised on December 28, 2013. Dividend distribution by wholly foreign-owned enterprises and Sino-foreign equity joint ventures are further governed by the Law of the PRC on Wholly Foreign-Owned Enterprises (外資企業法), which was promulgated on April 12, 1986 and most recently revised on October 1, 2016, and the Law on Sino-foreign Equity Joint Ventures (中外合資經營企業法) promulgated on July 8, 1979 and most recently revised on October 1, 2016.

Under these laws and regulations, PRC companies may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, foreign invested companies in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

Enterprise Income Tax

According to the PRC Enterprise Income Law (企業所得税法), or the EIT Law, which was promulgated on March 16, 2007 and latest amended on December 29, 2018, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The Regulation on the Implementation of Enterprise Income Tax Law (企業所得税法實施條例), or the EIT Rules, was promulgated on December 6, 2007 and came into effect on January 1, 2008. Pursuant to the PRC EIT Law and the EIT Rules, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. An organization or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. A non-resident enterprise without a permanent establishment in the PRC or a non-resident enterprise which has set up a permanent establishment in the PRC whose earning income is not connected with the abovementioned permanent establishment will only be subject to tax on its PRC-sourced income. The income for such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income. Moreover, pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (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 were issued by the SAT on August 21, 2006 and came into effect on December 8, 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC law; however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforementioned enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforementioned enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, the Announcement of the State Administration of Taxation on Certain Issues Concerning the "Beneficial Owners" in the 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), promulgated by the SAT on February 3, 2018, and came into effective on April 1, 2018, has stipulated some factors that are unfavorable to the determination of "beneficial owner".

In addition, under the Circular of the SAT on Relevant Issues concerning the implementation of Dividend Clauses in Tax Treaties (國家税務總局關於執行税收協定股息條款有關問題的通知), which was promulgated by the SAT on February 20, 2009, and came into effect on the same date, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (i) such tax resident who obtains dividends should be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (iii) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Regulations on PRC Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises

On February 3, 2015, the SAT issued the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得税若干問題的公告), or Circular 7. Circular 7 stipulates that when a non-resident enterprise transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company (or PRC Taxable Assets), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfil one of the following conditions:

(i) Where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling equity interests of a listed overseas company on a public market; and

(ii) Where the non-resident enterprise had directly held and transferred such PRC Taxable Assets, the income from the transfer of such PRC Taxable Assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement.

Further according to the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (關於非居民企業所得税源泉扣繳有關問題的公告) issued by SAT on October 17, 2017, the "income from property transfer" shall include the income from the transfer of equity interests and equity investment assets (hereinafter referred to as "equities"). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. When calculating the income from equity transfer, an enterprise shall not deduct the amount that may be distributed from the shareholders' retained proceeds that are attributable to such equities, such as the undistributed profits of the invested enterprise.

Environmental Protection

Pursuant to the PRC Environmental Protection Law (環境保護法), or the Environmental Protection Law, which was promulgated by the Standing Committee of the National People's Congress on December 26, 1989 and came into effect on the same date and was then amended on April 24, 2014, and came into effect on January 1, 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to adopt environmental protection measures in its operations and establish an environmental protection responsibility system. Enterprises that are in violation of the Environmental Protection Law may be subject to a warning, payment of damages, imposition of a fine, or limitation or suspension of production depending on the seriousness of the case. If a criminal offense is committed, the offender may be subject to criminal penalties.

The PRC Law on Environment Impact Assessment (環境影響評價法), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2002 and amended on July 2, 2016, the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and other relevant environmental laws and regulations, enterprises which plan to construct projects shall engage qualified professionals to provide the assessment reports, assessment form or registration form on the environmental impact of such projects. The assessment reports, assessment form or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Employee Stock Option Plans

On February 15, 2012, SAFE issued the Circular on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知), or the Share Option Rules. Under the Share Option Rules, PRC citizens or residents habitually residing in the PRC continuously for over one year, with a few exceptions, and who have been granted, restricted shares or share options by an overseas listed company according to its employee share option or share incentive plan, are required to appoint a qualified PRC agent, register with SAFE or its local counterparts, and complete certain other procedures related to the shareholding plan, share option plan or other similar share incentive plans. Concurrent with registration with SAFE or its local counterparts, the qualified PRC agent is required to obtain an approval from SAFE for an annual allowance for the foreign exchanges in connection with shareholding or the exercise of a share option, and an approval for opening a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with share purchases or share option exercises, returned principals or profits upon sale of shares, dividends issued on the stock and any other income or expenditures approved by SAFE. Currently, foreign exchange income of the participating PRC residents received from the sale of share and dividends distributed by the overseas listed company are required to be fully remitted into such special domestic foreign currency account before distribution to such participants. In addition, the PRC agents are required to amend or deregister the registrations with SAFE or its local counterparts in case of any material change in, or termination of, the share incentive plans within the time periods provided by the Share Option Rules.

Labor protection

The PRC Labor Contract Law (勞動合同法), or the Labor Contract Law, which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and became effective on January 1, 2008 and whose amendments made on December 28, 2012 took effect on July 1, 2013, governs the relationship between employers and employees, and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Under applicable PRC laws and regulations, including the PRC Social Insurance Law (社會保險法), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, and the Regulations on the Administration of Housing Accumulation Fund (住房公積金管理條例), which was amended by the State Council on March 24, 2002, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, employment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

OVERVIEW OF OUR COMPANY

We are a clinical-stage biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide. Founded in 2015, we have built a rich oncology pipeline with significant mono- and combination-therapy potential and synergies. Led by seasoned industry executives, we have established a robust business model designed to develop high quality, innovative drugs at high speed. At the same time, our dual sources of innovation, driven by internal research and external partnership, will provide the Company with a sustainable pipeline.

We have built an oncology-focused pipeline with a strategic emphasis on immuno-oncology (IO) combination therapies. With 14 assets, including our three IO backbone drug candidates (PD-L1, PD-1 and CTLA-4 antibodies) at clinical stage, we believe that our pipeline has both the scale and mix to enable a winning combination therapy strategy to develop one of the largest oncology combination therapy portfolios among all China-based biopharmaceutical companies. To complement our IO backbone drug candidates, we obtained exclusive licenses from Agios and Blueprint to develop and commercialize four molecularly targeted compounds in Greater China. All four compounds, ivosidenib (CS3010), avapritinib (CS3007), CS3008 (FGFR4 inhibitor) and CS3009 (RET inhibitor), have proof of concept for their lead indications based on clinical data from the U.S. trials. We are currently leveraging this data to seek accelerated marketing authorization in China. Ivosidenib was approved by the U.S. FDA in July 2018 as the first treatment of IDH1m relapsed or refractory AML in its class globally. Avapritinib is also the first drug candidate in its class globally, and CS3008 and CS3009 each has the potential to be first-in-class globally.

Our pipeline features an optimal mix of drug candidates with novel and proven targets and supports sustainable product launches starting from 2020. We have four late-stage drug candidates (ivosidenib (CS3010), CS1001 (PD-L1 antibody), avapritinib (CS3007) and CS3009 (RET inhibitor)) at or potentially near pivotal trials. The following chart summarizes our pipeline and the development status of each candidate as of the Latest Practicable Date. For details of each drug candidate and its development status, see "– Our Drug Candidates".

Abbreviations: AML= acute myeloid leukemia, AdvSM= advanced systemic mastocytosis, cHL= classical Hodgkin's lymphoma, GIST= gastrointestinal stromal tumor, HCC= hepatocellular carcinoma, ISM= indolent systemic mastocytosis, NKTL= natural killer/T cell lymphoma, NSCLC= non-small cell lung cancer, MTC= medullary thyroid cancer, R/R= relapsed or refractory, SM= systemic mastocytosis, MM= multiple myeloma.

(1) According to Frost & Sullivan, NSCLC and HCC are considered common indications that each had more than 100,000 incidences in China in 2017, and AML, cholangiocarcinoma, cHL, NKTL, GIST, SM, MM and MTC are considered rare indications that each had less than 100,000 incidences in China in 2017.

(2) Some indication(s) may not require a non-pivotal Phase II clinical trial prior to beginning pivotal Phase II or III clinical trials.

(3) Denotes our Core Product Candidate, CS1001.

(4) Denotes upon IND approval by the NMPA, we may skip non-pivotal clinical trials and initiate pivotal trials of the product candidate in China by leveraging foreign data from clinical trials by our partner.

(5) Denotes we currently have clinical trials ongoing in Australia for the product candidate.

(6) Denotes due to commercial sensitivity we do not disclose additional details for this oncology-related drug candidate.

(7) Line of therapies include 1L Stage IV NSCLC and consolidation therapy after chemoradiotherapy for Stage III NSCLC.

(8) Phase Ia study is designed to evaluate the clinical safety, tolerability, PK and PD among patients with various types of solid tumors. Because there are no clinical efficacy data on the drug candidate, no specific types of solid tumors are established as lead indications at this stage.

(9) Available clinical data from other HDAC6 inhibitor studies provides the basis to suggest that CS3003 may be effective in treating MM; we plan to assess the clinical efficacy of CS3003 in MM and various types of solid tumor patients in the Phase Ib dose expansion trial.

(10) The clinical data published so far by Blueprint demonstrated that BLU-667 (CS3009) is effective in the treatment of certain NSCLC and MTC patients.

Our business model is designed to accelerate the development of innovative drugs. We focus on clinical development, which has long been a bottleneck in the innovative drug development value chain in China, through both adaptive clinical trial design and clinical trial operational excellence. We exercise rigorous control and oversight over key functions of clinical trials while partnering with globally reputable CROs for trial execution. We employ in-house translational medicine research to aim to discover and validate predicative biomarkers, guide patient selection, monitor treatment response in clinical trials, and analyze

clinical results to guide the preclinical discovery of drug resistance mechanisms. Since the Company's inception, we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor).

Leveraging our strong internal research capabilities, we continue to identify and develop new drug candidates to advance to clinical stage. Our experienced research team has internally advanced four candidates into clinical trials in over two years. We will continue to advance our five pre-clinical assets towards the IND stage and develop new internal assets through our in-house research capability and collaboration with top academic institutions and world-leading CROs.

We believe that we are an ideal gateway partner for global biopharmaceutical companies trying to access the Chinese market because of our management's local expertise and global vision and our strong clinical development capabilities. We have a successful track record of in-licensing products, including Agios's and Blueprint's key product and product candidates. We will continue to explore opportunities to collaborate with leading biopharmaceutical companies worldwide for in-licensing arrangements that complement our internal R&D and existing pipeline.

We have assembled a world-class management team comprised of seasoned industry executives with senior level experience at leading multinational pharmaceutical companies in China and around the globe. Our management team has driven significant clinical development success and collectively represents a full spectrum of complementary skillsets from pre-clinical research to clinical development and commercialization. With a proven record of success and deep oncology domain expertise, our high scientific caliber management is the key pillar of our Company positioned to lead us to achieve future success.

We received record-breaking amounts of equity investment from well-known investors, raising approximately US$150 million in Series A financing and approximately US$262 million in Series B financing. See "History, Development and Corporate Structure – Pre-IPO Investments" for further details. For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our research and development expenses were approximately RMB247.1 million, RMB213.4 million, RMB165.8 million and RMB699.3 million, respectively. As of the Latest Practicable Date, we filed two patent applications in China, and co-filed two patent applications under the Patent Cooperation Treaty, or PCT for material intellectual properties.

OUR STRENGTHS

Rich and well-designed oncology-focused pipeline with a strategic emphasis on IO combination therapy

Since our inception, we have built a robust pipeline of 14 oncology drug candidates designed to maximize our opportunities to develop IO combination therapies. We believe our focus on exploring potential combination therapies is an effective strategy to develop innovative IO therapeutics and differentiate ourselves from our peers.

The usage of antibody inhibitors of immune checkpoint proteins has become a successful cancer therapeutic approach. The recent trend is combination therapies utilizing the IO backbone drugs: PD-1, PD-L1 and CTLA-4 antibodies. We were the only company in China with all three IO backbone antibodies at clinical stage as of the Latest Practicable Date. Our clinical or IND-stage assets also include five molecularly targeted therapy candidates, which together with the five oncology candidates at pre-clinical stage, cover diverse mechanisms of action and further contribute to the potential of combination therapy with our IO backbone drug candidates. With our diverse and combination-synergized oncology pipeline, we believe that we are well-positioned to capitalize on the significant combination therapy opportunity in China.

Our three IO backbone drug candidates are:

CS1001 (PD-L1 antibody), our Core Product Candidate, is a full-length, fully-human IgG4 monoclonal antibody against PD-L1. To maximize market occupancy, we are strategically developing CS1001 for large indications in China. To this end, we have initiated a Phase III trial in patients with Stage III NSCLC as a monotherapy and a Phase III trial in combination with standard-of-care therapies for the treatment of patients with Stage IV NSCLC. We also plan to initiate Phase III trials in combination with standard-of-care therapies in China for the treatment of patients with gastric cancer in the first half of 2019 and HCC in the first half of 2019, for both of which IND approval has been obtained. According to the Frost & Sullivan report, the total incidence of these large indications in China amounted to 1.2 million in 2017. We believe that CS1001 will be among the first wave of PD-L1 antibodies approved in China for these large indications.

To capitalize on the significant market opportunity in China, we plan to strategically develop combination therapies of CS1001 with candidates from our internal pipeline and from external partners in major indications. We plan to conduct (i) a Phase I trial of CS1001 in combination with CS3008 (FGFR4 inhibitor) for the treatment of patients with HCC in China in the second half of 2019; (ii) a Phase I trial of CS1001 in combination with CS3002 (CDK4/6 inhibitor) for the treatment of patients with solid tumors in Australia and China in the second half of 2019; and (iii) a Phase I trial of CS1001 in combination with CS3003 (HDAC6 inhibitor) for the treatment of patients with solid tumors or multiple myeloma in China and Australia in the second half of 2019 in each case subject to IND approval from the NMPA and the TGA. We are also considering evaluating CS1001 in combination with ivosidenib (CS3010)

in indication(s) such as cholangiocarcinoma, with CS3009 (RET inhibitor) in indication(s) such as NSCLC, and with avapritinib (CS3007) in indication(s) such as GIST in each case subject to IND approval from the NMPA. We believe that the combination potential among our internal candidates will enable us to design flexible pricing strategies and control overall treatment costs upon the approval of the combination therapies for marketing. We will further expand the potential combination of CS1001 with external investigational or marketed drugs. We plan to conduct a Phase Ib trial of CS1001 in combination with a PARP inhibitor for the treatment of patients with solid tumors in China in the first half of 2019.

CS1003 (PD-1 antibody) is a humanized IgG4 monoclonal antibody against PD-1. It is cross-reactive to both human and mouse PD-1, which enables us to quickly assess combination therapies in pre-clinical animal studies and better predict the safety and efficacy profile in clinical trials. We are developing CS1003 as a monotherapy for rare and sensitive tumor types such as PMBCL and MSI-H, to enter the market quickly and plan to develop CS1003 in combination with CS1002 (CTLA-4 antibody) or CS3006 (MEK inhibitor) for various solid tumors in China and globally.

CS1002 (CTLA-4 antibody) is a fully-human monoclonal antibody against CTLA-4. CS1002 has the same amino acid sequence as ipilimumab (sold under the trade name Yervoy®). Ipilimumab has not been approved for marketing in China and we plan to develop CS1002 under the novel drug pathway (biologics category 2) according to the NMPA regulations. Pre-clinical tests have shown that CS1002 has high affinity to CTLA-4 and it is expected to match the clinical activity and safety profile of Yervoy®. We plan to develop CS1002 in combination with CS1003 (PD-1 antibody) for the treatment of various solid tumors.

As we focus on IO combination therapies as our core strategy, we are concurrently developing PD-L1 and PD-1 antibodies. Having both antibodies presents broad collaboration opportunities from partners seeking their favored checkpoint inhibitor for combination therapies. In addition, preliminary clinical data suggests the mechanisms of action for PD-L1 and PD-1 may be different and PD-L1 antibody may have safety advantages over PD-1 antibody in selected indications such as lung cancer.

First-in-class molecularly targeted agents with proof of concept

In addition to our IO candidates, our pipeline is further complemented by four molecularly targeted compounds in order to address significant unmet patient needs. In June 2018, we obtained exclusive licenses from Agios and Blueprint for the development and commercialization of four molecularly targeted compounds in Greater China, all of which have proof of concept for their lead indications based on clinical data from the U.S. trials and are currently being prepared for clinical development in China. Along with development of each of the drug candidates as monotherapy, we are exploring novel combination therapies between some of them and our IO backbone drug candidates. Ivosidenib is the first treatment for IDH1m relapsed or refractory AML in its class globally. Avapritinib (CS3007) is also the first drug candidate in its class globally, and CS3008 (FGFR4 inhibitor) and CS3009 (RET inhibitor) each has the potential to be first-in-class globally.

- **Ivosidenib (CS3010, AG-120)** is an investigational first-in-class, orally available, selective, potent inhibitor of the mutated isocitrate dehydrogenase-1 (IDH1) enzyme for the treatment of cancers that harbor a susceptible IDH1 mutation. Ivosidenib was approved by the U.S. FDA in July 2018 for the treatment of adult relapsed or refractory AML patients with a susceptible IDH1 mutation detected by a U.S. FDA approved companion diagnostic test. It is the first drug in the world approved in its class. We plan to develop ivosidenib for the treatment of patients with AML, cholangiocarcinoma and potentially other indications as monotherapy or in combination with CS1001 (PD-L1 antibody) or CS1003 (PD-1 antibody).

- **Avapritinib (CS3007, BLU-285)** is an orally available, potent and highly selective inhibitor that targets homologous kinases KIT and PDGFRα mutations for the treatment of cancers, including gastrointestinal stromal tumors (GIST) and systemic mastocytosis (SM). Avapritinib (CS3007) is uniquely designed to bind and inhibit the active conformation of these kinases, which allows for potent inhibition of both primary and secondary mutations that shift the kinase towards its active conformation. As a first-in-class, post proof-of-concept drug candidate, avapritinib received Breakthrough Therapy Designation from the U.S. FDA for the treatment of patients with unresectable or metastatic GIST harboring the PDGFRα D842V mutation in June 2017. Avapritinib (CS3007) is currently being evaluated by Blueprint in the dose expansion portion of Phase I clinical trials in patients with advanced GIST and advanced SM. Based on the current data, we believe that avapritinib (CS3007) has potential to be an effective treatment for certain GIST and advanced SM patients. We plan to develop avapritinib (CS3007) for the treatment of patients with GIST and SM in China.

- **CS3009 (BLU-667)** is an orally available, potent and highly selective inhibitor designed to target RET fusions and mutations for the treatment of cancers, including non-small cell lung cancer (NSCLC) and medullary thyroid carcinoma (MTC). CS3009 (RET inhibitor) is currently being evaluated by Blueprint in the dose expansion portion of a Phase I clinical trial in patients with RET-fusion NSCLC, MTC and other advanced solid tumors. The clinical data published so far demonstrates that CS3009 is effective in the treatment of certain NSCLC and MTC patients. We plan to develop CS3009 for the treatment of patients with RET-fusion NSCLC, MTC, and other RET-altered tumors in China. We have submitted CTA application for RET-fusion NSCLC, MTC to the NMPA in December 2018.

- **CS3008 (BLU-554)** is an orally available, potent, highly selective and irreversible inhibitor of the kinase fibroblast growth factor receptor 4 (FGFR4) for the treatment of hepatocellular carcinoma (HCC). CS3008 (FGFR4 inhibitor) is currently being evaluated by Blueprint in the dose expansion portion of a Phase I clinical trial in patients with advanced HCC. We received CTA approval of CS3008 from the NMPA in January 2019 to join the dose expansion portion of this study. Based on the preliminary data of the trial, we believe that CS3008 is a potentially effective drug for the treatment of certain HCC patients. We plan to develop CS3008 for the treatment HCC patients in China as a monotherapy and in combination with CS1001 (PD-L1 antibody).

Early-stage pipeline focused on monotherapy and combination therapy with our IO backbone

In addition to our IO backbone drug candidates and potentially first-in-class agents with proof of concept, we have a robust pipeline of drug candidates with potential either as monotherapy or in combination with our IO backbone drug candidates. This pipeline includes two drug candidates (CS3006, MEK inhibitor and CS3003, HDAC6 inhibitor) at clinical or IND stage and five drug candidates at pre-clinical stage, including CS3002 (CDK4/6 inhibitor).

- **CS3006 (MEK inhibitor)** is an orally available, small molecule inhibitor of mitogen-activated extracellular signal regulated kinases 1 and 2 (MEK1 and MEK2), which are important components of the kinase cascade in the mitogen activated protein kinase (MAPK) pathway that is frequently mutated in patients with malignant tumors. We are currently evaluating CS3006 in the dose escalation portion of a Phase I clinical trial as a single agent in patients with advanced solid tumors in Australia. We have also initiated a Phase I clinical trial for the same indications in China and enrolled the first patient in October 2018. We plan to pursue a few indications for CS3006 primarily in combination with CS1003 (PD-1 antibody) and other agents, in China and globally.

- **CS3003 (HDAC6 inhibitor)** is a small molecule inhibitor selectively targeting histone deacetylase 6 (HDAC6), one of the 18 currently known human HDACs. We believe that CS3003 has the potential to be a first-in-class HDAC6 specific inhibitor globally based on the current pre-clinical data. We plan to initiate Phase I trials of CS3003 in patients with solid tumors or multiple myeloma as a monotherapy and in combination with CS1001 in China and Australia in the second half of 2019 after IND approval. We submitted IND/CTA applications of CS3003 in China and Australia, respectively, in December 2018.

- **CS3002 (CDK4/6 inhibitor)** is a small molecule inhibitor targeting cyclin-dependent kinase 4 and 6 (CDK4/6). Only one CDK4/6 inhibitor from a multinational company has been approved in China. We plan to initiate a Phase I trial of CS3002 in patients with advanced solid tumors as a monotherapy and in combination with CS1001 (PD-L1 antibody) in Australia and China in the second half of 2019 after IND approval.

Robust clinical development program

We focus on clinical development because we believe it has long been a bottleneck in China's new drug development value chain. Our clinical team members have extensive trial experience in cancer indications, including prevalent cancer types in Chinese patients. In addition, they have led or have been involved in the design and execution of numerous IO trials, molecularly targeted therapy trials and combination therapy trials. Our clinical team performs core functions such as designing clinical development strategies, plans and protocols in-house, while outsourcing day-to-day clinical development execution to industry-leading

CROs. We employ adaptive and biomarker-guided clinical design to achieve efficiency and accelerate clinical development. Our relationship with regulatory authorities and KOLs enabled us to effectively navigate the clinical development process.

Our clinical development capabilities have been proven by internally advancing four drug candidates into the clinical stage at an industry-leading speed. For example, we have efficiently executed the CS1001 (PD-L1 antibody) clinical program from the beginning of IND submission to initiation of pivotal studies, obtaining IND approval in 10 months, dosing the first patient less than four months after IND approval and initiating pivotal studies eight months thereafter. During the last two years, we have initiated eleven clinical trials, including four pivotal clinical trials for our leading asset CS1001; we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor). By the end of 2018, we had six ongoing trials for CS1001 and a total of 11 ongoing and/or completed trials in China and globally, including one combination therapy trial. By June 30, 2019, we expect to have approximately 18 ongoing and/or completed trials in China and globally, including approximately five combination therapy trials. By the end of 2019, we expect to have 12 ongoing and/or completed trials for CS1001 and a total of approximately 28 ongoing and/or completed trials in China and globally, including approximately 12 combination therapies trials with chemotherapy, molecularly targeted therapies and IO agents.

Dual sourcing of innovation through internal development and external partnership

We rely on both internal development and external partnership as our dual sources of innovation.

Internal development has been a key source of innovative drug candidates. Led by an R&D team with extensive industry experience in oncology drug development, our pre-clinical research is dedicated to drug discovery, pharmacology, cell and animal studies and process development to bring new drug candidates to IND stage. We have set up an approximately 2,000 square meter research laboratories in Suzhou, China. We also collaborate with world renowned academic institutions to develop novel targets with disruptive potential. While outsourcing daily execution of pre-clinical research to leading CROs to achieve efficiency, we take a leading role in the research design and management to ensure high quality data to support IND filing. During the last two years, we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA relating to CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor).

We also partner with global innovative biopharmaceutical companies that complement our internal R&D efforts. As the Chinese pharmaceutical market rapidly grows, many innovative biopharmaceutical companies outside of China are interested in accessing this market but lack expertise and resources in China. We believe that the combination of our

management's global and domestic drug development know-how, our deep oncology expertise, rich and potentially synergistic internal pipeline, and the manufacturing and commercial capabilities we are developing will make us an ideal China partner for these companies. Our team offers the "best of both worlds" value proposition to our partners. Our management and clinical development teams have vast experience working at leading multinational and domestic biopharmaceutical companies. They also possess extensive experience in the Chinese and international regulatory frameworks and unique insights to the drug development pathways in China to accelerate clinical trials, drug registration and commercialization. Furthermore, we will provide high quality clinical data from local trials as a valuable addition to facilitate global registration, and maintain operational efficiency given the relatively low cost of clinical trials in China.

Our attractiveness as a partner to leading biopharmaceutical companies outside of China is demonstrated by our track record of successful in-licensing transactions. In June 2018, we obtained exclusive licenses from Agios and Blueprint for the development and commercialization of their leading product or product candidates in Greater China.

Distinguished world-class management team with broad experience in drug discovery, development and commercialization

We are led by a world-class management team of seasoned industry executives with senior level experience in leading pharmaceutical companies in China and around the globe. Our management team has driven significant clinical development success and collectively covers a full spectrum of complementary skillsets from research to clinical development and commercialization. With deep oncology domain expertise, our high-scientific-caliber management has established a proven track record and is positioned to lead us to achieve future success.

Dr. Frank Ningjun Jiang, MD, Ph.D., is our CEO, executive Director and Chairman of our Board. He has served as a member of our Board since November 2016. Prior to joining our company, Dr. Jiang served as Head of Asia Pacific R&D with Sanofi China and led the R&D expansion efforts in the Asia & Pacific region. Dr. Jiang was responsible for developing and implementing regional R&D strategies to develop innovative healthcare solutions and bring global drugs to Asia Pacific faster. During his tenure at Sanofi, he oversaw 79 clinical trials and obtained 30 New Drug Approvals in the Asia Pacific region. One of his career highlights at Sanofi was he headed an approximately 21,000-patient megatrial, which resulted in a successful global registration of a blockbuster drug Lovenox. Prior to Sanofi, Dr. Jiang served as clinical research physician with Eli Lilly, where he was a global phase II trial in suspected sepsis. Dr. Jiang is a U.S. board certified physician (Internal Medicine).

Dr. Jianxin Yang, MD, Ph.D., our Chief Medical Officer, is selected as the "Distinguished Expert" by the China's national "1000 Talents Program" and was honored as a "High-Caliber Talent from Overseas" after returning to China in 2014. He has over 21 years of global experience in biomedical research and clinical development of oncology drugs. Prior to joining our Company, he served as the senior vice president and head of clinical development at BeiGene Inc. He led his team in generating key safety and proof of concept efficacy data for BeiGene's four anticancer drugs that target PD-1, BTK, PARP and BRAF, respectively.

Mr. Richard Yeh, our Chief Financial Officer, has over 20 years of experience working for investment banks and multinational biopharmaceutical companies. Prior to joining our Company, Mr. Yeh was the managing director at Goldman Sachs in Hong Kong and led the firm's research efforts on the Chinese and Asian healthcare market. Before that, Mr. Yeh served as the head of the regional healthcare research team at Citigroup (US). He also conducted drug discovery research at Amgen.

Dr. Bing Yuan, Ph.D., our Chief Business Officer, is a seasoned business executive with extensive experience in global business development and marketing strategy and made significant contributions to several global oncology brands. Before joining our Company, Dr. Yuan was executive director and Global Lead of Oncology BD&L at Merck & Co., Inc., where he was instrumental in Keytruda clinical combination partnerships and several immuno-oncology deals. Before that, he held global oncology commercial positions at Novartis Pharmaceuticals, with his last position being executive director and Head of Life Cycle Strategy.

Dr. Xinzhong Wang, Ph.D., our Chief Scientific Officer, is an accomplished scientific leader with over 20 years of experience in immuno-oncology and gene therapy research in the biopharmaceutical industry. Before joining our Company, Dr. Wang was a director of Immuno-Oncology Research at Merck Research Laboratories in Boston, Massachusetts of Merck and Co., Inc. Before that, Dr. Wang was an associate director and a principal scientist of BioSuperiors Department at AstraZeneca/MedImmune LLC.

Dr. Ngai Chiu Archie Tse, MD, Ph.D., our Chief Translational Medicine Officer, is an accomplished medical and scientific leader with over 20 years of global oncology experience in clinic and pharmaceutical institutions. Prior to joining our Company, Dr. Tse was a Distinguished Scientist (Executive Director) at Merck, where he oversaw the early clinical development of a number of novel agents in the immune-oncology pipeline. Before that, he was a senior director at the Daiichi-Sankyo, Inc. and a faculty member at Memorial Sloan Kettering Cancer Center affiliated with Weill Cornell Medical School affiliated in the U.S.

Dr. Jingrong Li, Ph.D., our Senior Vice President (production development and manufacturing), has over 20 years' experience in product development and manufacturing technical operations. He served as an executive director at Simcere Pharmaceutical (先聲製藥) and later as the general manager of BioSciKin Bio (百家滙生物), a subsidiary of Simcere Pharmaceutical, overseeing its operation and management. He was also a manager principal scientist at Roche Molecular Systems Inc. and a full-time senior scientist at BioSpecifics Technologies Corp.

OUR STRATEGIES

Rapidly advance late-stage drug assets towards commercialization

We plan to maximize the commercial potential of our four late-stage clinical drug candidates with worldwide or Greater China rights. We are conducting three pivotal clinical trials for CS1001 to pursue approvals for the China market and plan to add on approximately 10 pivotal clinical trials for our late-stage drug candidates by the end of 2019, to continue to advance them to commercialization in China.

- **Ivosidenib (CS3010, AG-120)**: In collaboration with Agios, we plan to discuss with the NMPA to conduct a bridging trial for IDH1m R/R AML in China to support NDA submission in China for which we believe that we may be able to leverage the U.S. FDA data from Agios. Agios is currently evaluating ivosidenib for the first-line treatment of IDH1m AML in two clinical studies: (i) a Phase III trial investigating ivosidenib in combination with azacitidine (AGILE trial) and (ii) a Phase III trial investigating ivosidenib or enasidenib in combination with 7+3 chemo regimen (HOVON trial). Subject to CTA approval from the NMPA, we plan to join both global trials and lead the China part of the studies and use data from the global trials to support NDA submissions in China. We expect that the China portion of AGILE trial will be initiated in the first half of 2019 and the China portion of HOVON trial will be initiated in the second half of 2019. The CTA application for AGILE trial was submitted to the NMPA in May 2018 by Agios's agent PPD and the approval was received in August 2018. We also plan to design a China bridging study of ivosidenib as a monotherapy in second line and third line treatment for IDH1m cholangiocarcinoma to support NDA submission. In addition, we are also exploring developing ivosidenib in combination with CS1001 or CS1003 in indications such as cholangiocarcinoma.

- **CS1001 (PD-L1 antibody)**: As a fast/first to market approach, we are strategically developing CS1001 for two small indications, cHL and NKTL currently in pivotal Phase II trials, which accounted for 0.13% (5.8 thousand patients) and 0.23% (9.8 thousand patients) of the total cancer incidence in China in 2018, respectively. Even though many of our competitors are targeting cancer types with larger patient population, we believe our approach may lead to faster registration and market entrance due to the small patient sample sizes for cHL and NKTL trials and NMPA's tendency to grant priority reviews for diseases that are relatively rare. If the data from these trials are positive, we expect to make the NDA submissions for cHL and NKTL in the first half of 2020. In addition to cHL and NKTL as fast-to-market strategy, we are also targeting large indications. We are conducting a Phase III trial of CS1001 in patients with Stage III NSCLC as a monotherapy and a Phase III trial in combination with standard-of-care therapies for the treatment of patients with Stage IV NSCLC. We also plan to initiate Phase III trials in combination with standard-of-care therapies in China for the treatment of patients with gastric cancer in the first half of 2019 and HCC in the first half of 2019, for both of which IND has been obtained.

We plan to continue to explore the combination potential of CS1001 with IO therapy, molecularly targeted therapy and chemotherapy in the clinically relevant indications, particularly with the other drug candidates from our pipeline. We plan to conduct (i) a Phase I trial of CS1001 in combination with CS3008 (FGFR4 inhibitor) for the treatment of patients with HCC in China in the second half of 2019; (ii) a Phase Ib trial of CS1001 in combination with a PARP inhibitor for the treatment of patients with solid tumors in China in the first half of 2019; (iii) a Phase I trial of CS1001 in combination with CS3002 (CDK4/6 inhibitor) for the treatment of patients with solid tumors in Australia in the second half of 2019; and (iv) a Phase I trial of CS1001 in combination with CS3003 (HDAC6 inhibitor) for the treatment of patients with solid tumors in Australia in the second half of 2019 in each case subject to IND approval from the NMPA and the TGA. We are also considering evaluating CS1001 in combination with ivosidenib in indications such as cholangiocarcinoma, with CS3009 (RET inhibitor) in indications such as NSCLC, and with avapritinib in indications such as GIST, in each case subject to IND approval from the NMPA. In addition to China, we have obtained IND clearance from the U.S. FDA in September 2018 and dosed the first patient in December 2018.

- **Avapritinib (CS3007, BLU-285)**: We plan to conduct a China bridging study of avapritinib (CS3007) as a monotherapy for PDGFRα D842 mutant GIST in the first half of 2019, for which we may be able to leverage the data that will be submitted to the U.S. FDA by Blueprint to support NDA submission in China. Subject to CTA approval from the NMPA, we expect to conduct the China portion of two global Phase III trials of avapritinib (CS3007) for GIST initiated by Blueprint and such trials will serve as global pivotal trials for third-line and second-line treatments of GIST. We also plan to communicate with the NMPA on a potential trial waiver of avapritinib (CS3007) for the treatment of advanced SM using foreign data from the PATHFINDER study. Since the patient population for advanced SM is relatively small and under urgent medical need, it may increase the possibility of a trial waiver. The expected timeframe of the trial waiver, however, depends on Blueprint's trial timing and there is no guarantee that the trial waiver would be granted. Additionally, we could potentially join the global pivotal study of avapritinib (CS3007) as a monotherapy for indolent SM initiated by Blueprint.

- **CS3009 (BLU-667)**: Subject to CTA approval from the NMPA, we plan to join the dose expansion portion of a global Phase I study of CS3009 in patients with RET-fusion NSCLC, MTC to generate PK, safety and efficacy data for NDA submission in China. We have submitted CTA application for RET-fusion NSCLC, MTC to NMPA in December 2018. We are considering joining two global studies of CS3009 at different lines of treatment settings for RET-fusion NSCLC, MTC, respectively, to generate data for NDA submission in China. We may also explore the possibility of CS3009 in combination with CS1001 or CS1003 in indications such as NSCLC.

Advance other clinical or IND stage candidates through development stages

We will continue to develop our other clinical or IND stage drug candidates to potentially advance them to pivotal trials within the next 24 months.

- **CS3008 (BLU-554)**: We plan to evaluate the safety and tolerability of CS3008 (FGFR4 inhibitor) in two Phase I clinical trials in China in tyrosine kinase inhibitor (TKI) naïve HCC patients with FGF19 overexpression as monotherapy and in combination with CS1001 (PD-L1 antibody), respectively. Blueprint is evaluating CS3008 (BLU-554) in the dose expansion portion of the global Phase I clinical trial in TKI-naïve HCC patients with FGF19 overexpression. We received CTA approval of CS3008 from the NMPA in December 2018 and will join the dose expansion portion of the study. We also consider joining a planned pivotal global trial for the same indication, if the data from this Phase I clinical trial are positive. Subject to IND approval from the NMPA, we plan to conduct a Phase I trial of CS3008 in combination with CS1001 for the treatment of HCC patients in China in the second half of 2019 and we have submitted a pre-IND meeting request for this trial to the NMPA in October 2018. If the data from this trial are positive, we plan to conduct a Phase III clinical trial in patients with HCC in China in 2021.

- **CS1003 (PD-1 antibody)**: We are currently evaluating CS1003 in the dose escalation portion of a Phase I clinical trial as a monotherapy in patients with advanced solid tumors in Australia, and we have received an IND clearance from the U.S. FDA in October 2018 to expand this trial to the U.S. We obtained IND approval of CS1003 from the NMPA in June 2018 and have initiated a bridging Phase I clinical trial in patients with advanced tumors in China. We also plan to conduct (i) a Phase I trial of CS1003 in combination with CS1002 for the treatment of patients with solid tumors in Australia in the second half of 2019 and (ii) a Phase I trial of CS1003 in combination with CS3006 for the treatment of patients with solid tumors in China and Australia in the second half of 2019, in each case subject to IND approval.

- **CS1002 (CTLA-4 antibody)**: We are currently evaluating CS1002 in the dose escalation portion of a Phase I clinical trial in patients with advanced solid tumors in Australia. We plan to initiate the dose escalation portion of Phase I clinical trial of CS1002 in combination with CS1003 (PD-1 antibody) for the treatment of solid tumors in Australia in the second half of 2019 subject to IND approval from the TGA. We have obtained IND approval of CS1002 from the NMPA in August 2018 and we plan to initiate a Phase I clinical trial for solid tumors in China in 2019.

- **CS3006 (MEK inhibitor)**: We are currently evaluating CS3006 in the dose escalation portion of a Phase I clinical trial as a single agent in patients with advanced solid tumors in Australia. We have obtained IND approval for CS3006 from the NMPA in July 2018 and we have initiated a Phase I clinical trial for the same indications in China and enrolled the first patient in October 2018. If the data

from the Phase I trial are positive, we plan to conduct a Phase I trial of CS3006 in combination with CS1003 for the treatment of patients with solid tumors in China and Australia in the second half of 2019 subject to IND approval from the NMPA and TGA.

- **CS3003 (HDAC6 inhibitor)** is a small molecule inhibitor selectively targeting histone deacetylase 6 (HDAC6), one of the 18 currently known human HDACs. We believe that CS3003 has the potential to be a first-in-class HDAC6 specific inhibitor globally based on the current pre-clinical data. Subject to IND approval from the NMPA and TGA, we plan to initiate Phase I trials of CS3003 in patients with solid tumors or multiple myeloma as a monotherapy and in combination with CS1001 (PD-L1 antibody) in China and Australia in the second half of 2019. We have submitted IND applications of CS3003 in China and Australia, respectively, in December 2018.

Continue to strengthen our combination therapy strategy for China and globally by leveraging our pipeline scale and mix

We believe that our combination strategy differentiates our Company from our peers. PD-1, PD-L1 and CTLA-4 antibodies are the most important immune checkpoint inhibitors as of today and are regarded as the backbone agents for IO combination therapies. As of the Latest Practicable Date, we are the only company in China with all three checkpoint inhibitors in house and at clinical stage. Our investigational candidates range from immune checkpoint inhibitors to target therapeutics, as such we believe we have significant potential to distinguish our combination therapies from peers.

For example, we have submitted IND applications in February 2019 to the NMPA developing CS3008 (BLU-554) in combination with CS1001 (PD-L1 antibody) for the treatment of HCC. We plan to conduct a Phase I trial in the second half of 2019 and, if data from the trial are positive, Phase III trial in 2021. We have initiated a pivotal trial of CS1001 in combination with standard-of-care therapies in patients with Stage IV NSCLC. We also plan to initiate pivotal trials of CS1001 in patients with gastric cancer and HCC in combination with standard-of-care therapies. We are considering evaluating CS1001 or CS1003 (PD-1 antibody) in combination with ivosidenib in indications such as cholangiocarcinoma, with CS3009 (RET inhibitor) in indications such as NSCLC, and with avapritinib (CS3007) in indications such as GIST. We will further expand the potential combination of CS1001 with external investigational or marketed drugs, for example with standard-of-care therapies.

Around our IO backbone drug candidates, we have built a robust and well-designed pipeline to multiply our potential for combination therapies. We plan to continue developing combination therapies involving our internal, in-licensed, and third party drugs and drug candidates. We will strategically and continuously enhance our pipeline from internal sourcing and in-licensing or collaboration to leverage our portfolio scale and mix, to further enable us to capture the enormous opportunities in the growing combination therapy market.

Strengthen R&D capabilities and build a world-class innovative oncology pipeline

Our robust oncology pipeline was built on the basis of deep expertise in IO drug development across the company. To build and strengthen our pipeline, we will continuously enhance current IO expertise to assess the existing assets and explore new assets or targets. We will continue to build up the capacity of our in-house clinical development team in China and will gradually expand geographically to the U.S. and Europe to further our aspiration of global clinical development and commercialization. In parallel, we will continue to enhance our smart clinical trial design capabilities, optimize project governance and further improve efficiency and success rate of clinical development.

We will continue to develop our research capabilities and optimize the technology platforms to support pipeline enrichment. We will leverage our proprietary data from our translational research to discover new biomarkers for precision IO combination therapy and new drug targets. We will explore and develop novel differentiated therapeutic molecules such as bi-specific antibodies for maximum clinical response. We also aim to create an R&D ecosystem through the "window" of our TMRC, to promote interdisciplinary collaboration with domestic and international companies and academic institutions. The collaboration ranges from biomarker discovery to identification of pre-clinical drug candidates that offer novel biology and disruptive potential for cancer treatment.

Partnerships have been and will continue to be a critical source of innovation for our pipeline. Going forward, we will continue to seek assets, both in clinical and pre-clinical stage that complement our pipeline. A strong emphasis will be placed on assets that are either first-in-class or best-in-class, with potential combination synergies. As our late-stage assets continue to be developed towards commercialization, we will also seek assets with commercial synergies with our pipeline.

Pursue hybrid manufacturing strategy for both small molecules and biologics

We will adopt a hybrid model for the manufacturing of our products by outsourcing the production of drug candidates to a limited number of industry-leading, highly reputable CMOs, including WuXi Biologics. We intend to discuss with these CMOs to establish a designated manufacturing facility to secure the supply of biologics products for our initial launches. For ivosidenib (CS3010) and avapritinib (CS3007), we will import drug products from our licensing partners at the initial commercialization stage.

As further product launches are expected from our pipeline, we plan to build in-house manufacturing facilities for both biologics and small molecules at commercial scale and in compliance with GMP requirements in China and globally. The initial phase of our in-house biologics plant is designed with a planned capacity of 10,000 L (4x2,000L and 2x1,000L). We are in the process of site selection for the manufacturing facility and expect to commence construction thereafter.

Build commercial capabilities in China in anticipation of product launches

We have a robust pipeline of drug candidates in clinical development and several of them are already in or about to enter the pre-launch window. We have developed a clear road map for product commercialization in China and beyond. By leveraging the relatively low-competition nature of first-in-class assets in our pipeline, our strategy is to build a highly

specialized and efficient oncology commercial team to drive product launch and bring innovative cancer therapies to the Greater China market. We have recently assembled our core commercial leadership team that consists of five members with extensive experience in the pharmaceutical industry, such as the former executive director and head of Life Cycle Strategy at Novartis Pharmaceuticals and the former senior director of the Hematology Oncology Business Unit at the then Celgene Corporation. We will continue to expand in anticipation of our expected product launches in the next several years. We are also evaluating options for commercial partnership to accelerate commercial ramp up and maximize market potential of our assets both in China and globally.

OUR DRUG CANDIDATES

We have a pipeline of 14 drug candidates that focus on oncology and range from pre-clinical stage to late-stage clinical programs. The following table summarizes our pipeline and the development status of each candidate as of the Latest Practicable Date:

Abbreviations: AML = acute myeloid leukemia, AdvSM= advanced systemic mastocytosis, cHL = classical Hodgkin's lymphoma, GIST = gastrointestinal stromal tumor, HCC = hepatocellular carcinoma, ISM= indolent systemic mastocytosis, NKTL = natural killer/T cell lymphoma, NSCLC = non-small cell lung cancer, MTC = medullary thyroid cancer, R/R = relapsed or refractory, SM = systemic mastocytosis, MM = multiple myeloma.

(1) According to Frost & Sullivan, NSCLC and HCC are considered common indications that each had more than 100,000 incidences in China in 2017, and AML, cholangiocarcinoma, cHL, NKTL, GIST, SM, MM and MTC are considered rare indications that each had less than 100,000 incidences in China in 2017.

(2) Some indications may not require a non-pivotal Phase II clinical trial prior to beginning pivotal Phase II or III clinical trials.

(3) Denotes our Core Product Candidate, CS1001.

(4) Denotes upon IND approval by the NMPA, we may skip non-pivotal clinical trials and initiate pivotal trials of the product candidate in China by leveraging foreign data from clinical trials by our partner.

(5) Denotes we currently have clinical trials ongoing in Australia for the product candidate.

(6) Denotes due to commercial sensitivity we do not disclose additional details for this oncology-related drug candidate.

(7) Line of therapies include 1L Stage IV NSCLC and consolidation therapy after chemoradiotherapy for Stage III NSCLC.

(8) Phase Ia study is designed to evaluate the clinical safety, tolerability, PK and PD among patients with various types of solid tumors. Because there are no clinical efficacy data on the drug candidate, no specific types of solid tumors are established as lead indications at this stage.

(9) Available clinical data from other HDAC6 inhibitor studies provides the basis to suggest that CS3003 may be effective in treating MM; we plan to assess the clinical efficacy of CS3003 in MM and various types of solid tumor patients in the Phase Ib dose expansion trial.

(10) The clinical data published so far by Blueprint demonstrated that BLU-667 (CS3009) is effective in the treatment of certain NSCLC and MTC patients.

Our drug candidates are subject to NDA approval by the relevant authorities, such as the NMPA and the U.S. FDA, before commercialization in the relevant jurisdictions. See "Regulations – U.S. Regulation – U.S. Government Regulation and Product Approval" and "– PRC Regulation – PRC Drug Regulation" for details. We believe that as of the date of this prospectus, we had not received any material comments or concerns raised by the NMPA that we are not able to address in a timely manner, and we believe we are on track to file the NDAs related to our clinical-stage drug candidates as described in "– Our Drug Candidates".

CLINICAL OR IND STAGE CANDIDATES

IVOSIDENIB (CS3010, AG-120)

We obtained an exclusive license from Agios for the development and commercialization of ivosidenib (CS3010) in China, Hong Kong SAR, Macau SAR and Taiwan in June 2018. For more details, see "– Collaboration and Licensing Agreements – Collaboration with Agios."

Ivosidenib is a first-in-class, orally active, potent and selective inhibitor of the mutated IDH1 enzyme being developed for the treatment of various cancers that harbor a susceptible IDH1 mutation. Ivosidenib was approved in July 2018 by the U.S. FDA for the treatment of adult patients with R/R AML with a susceptible IDH1 mutation as detected by a U.S. FDA approved test. We plan to evaluate ivosidenib for the first-line treatment of IDH1m AML and for the second- and third-line treatment of cholangiocarcinoma in China.

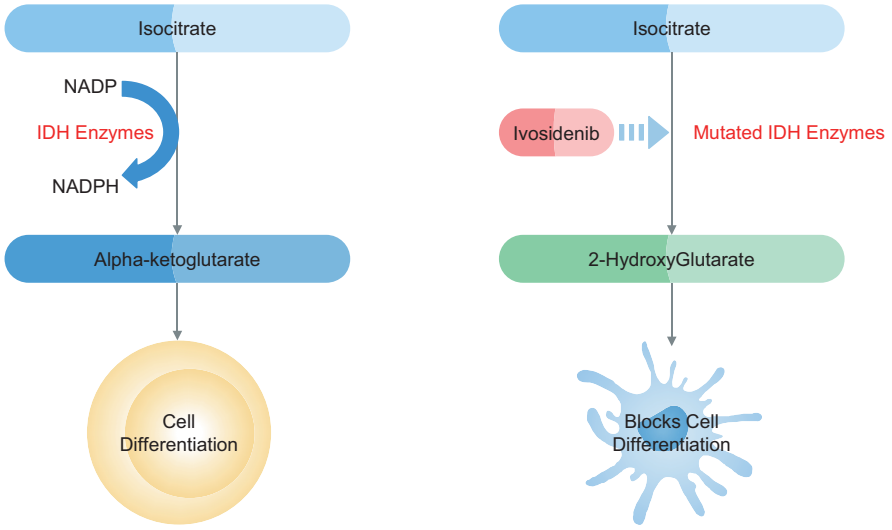
Mechanism of Action

Isocitrate dehydrogenase (IDH) family members IDH1 and IDH2 are important metabolic enzymes that catalyze the conversion of isocitrate to α-ketoglutarate (α-KG) in normal cells. Mutations in the catalytic active site of IDH1 or IDH2 confer a new enzymatic activity, converting isocitrate to 2-hydroxyglutarate (2-HG), an oncometabolite that refers to metabolites whose abnormal accumulation causes metabolic and nonmetabolic dysregulation and transformation to malignancy. 2-HG accumulation has several detrimental effects at the cellular level including hypermethylation of DNA, silencing in myeloid cell differentiation pathway and leading to tumorigenesis. Mutations in IDH1 and IDH2 occur in a wide range of cancers, including AML, cholangiocarcinoma and glioma.

Ivosidenib is a small molecule inhibitor that targets the mutant IDH1 enzyme. Both *in vitro* and in vivo experiments in xenograft mouse models of IDH1-mutated AML show that the inhibition of the mutant IDH1 enzyme by ivosidenib leads to decreased 2-HG levels and induces myeloid differentiation. In blood samples from patients with AML with mutated IDH1, ivosidenib decreases 2-HG levels ex-vivo, reduces blast counts, and increases percentages of mature myeloid cells.

The following diagram illustrates the mechanism of action of ivosidenib:

Mechanism of Action Ivosidenib



Note: Ivosidenib inhibits mutated IDH1 enzyme to suppress conversion of isocitrate to 2-HG and prevent transformation to malignancy.

Market Opportunity and Competition

AML

AML is a rapidly progressing cancer that forms in the bone marrow and results in an increased number of abnormal white blood cells in the bloodstream and bone marrow. According to the Frost & Sullivan Report, IDH1 mutations are observed in approximately 5.5% of AML patients and are associated with unfavorable prognosis, and the National Comprehensive Cancer Network has recommended molecularly targeted therapy for such cases. Incidence of AML in China has grown from 17,400 in 2013 to 18,800 in 2017 and is forecasted to continue to rise to 20,100 by 2022, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, the number of addressable AML patients in China in 2017 for IDH1m inhibitors is approximately 1,600.

AML is generally treated with traditional cytotoxic chemotherapy, including cytarabine and anthracyclines, both as induction therapy and post-remission therapy to prevent relapse. Relapsed or refractory AML carries an adverse prognosis and there are limited effective therapies, although bone marrow transplant may be employed as post-remission therapy. However, the above mentioned therapies have various side effects and are only appropriate for certain patients. There is lack of effective standard therapies for treatment of R/R AML and AML patients not suitable for intensive chemotherapy. In recent years targeted therapies have been approved for a subset of AML, including patients with FLT3 or IDH mutations. Ivosidenib is the first and only U.S. FDA-approved therapy currently on the market globally for patients with R/R AML and an IDH1 mutation. It is also the only IDH1 inhibitor under clinical development in China as of the Latest Practicable Date. Ivosidenib has become an effective alternative for the treatment of AML with an IDH1 mutation based on current data.

Cholangiocarcinoma

Cholangiocarcinoma is a cancer of epithelial cells in the bile ducts. It can be caused by a variety of liver diseases, including hepatitis B and *Clonorchis sinensis* infection, which are endemic to certain parts of China. IDH1 mutations are observed in around 8% of cholangiocarcinoma patients. Incidence of cholangiocarcinoma in China increased from 79,900 in 2013 to 85,800 in 2017 at a CAGR of 1.8%, and is expected to further increase to reach 92,900 by 2022 at a CAGR of 1.6% from 2017. According to the Frost & Sullivan Report, the number of cholangiocarcinoma patients addressable by IDH1m inhibitors in China in 2017 is approximately 6,900.

Cholangiocarcinoma is a very aggressive tumor and considered incurable unless fully resected during early stage. Stage 0 – IIIA Cholangiocarcinoma may be curable through immediate and aggressive surgery for removal of the primary tumor and nearby tissues. Stage IIIB – IV cholangiocarcinoma is managed through a combination of chemotherapy, radiotherapy and palliative care. For stage IIIB – IV cholangiocarcinoma patients, current treatments, such as irinotecan, have not shown significant improvement in overall survival rate, and ivosidenib may be a safer and effective alternative.

Summary of Clinical Trial Data (data presented below are based on U.S. FDA approved label)

Overview. The U.S. FDA approval of ivosidenib (TIBSOVO®) for the treatment of adult patients with R/R AML with a susceptible IDH1 mutation was based on the clinical data from an open-label, single-arm, multi-center dose-escalation and expansion trial of adult patients with R/R AML and an IDH1 mutation conducted by Agios. Based on the positive efficacy data from the study, we believe ivosidenib will be effective in Chinese patients with the same indication.

Trial Design. This trial was designed to evaluate the clinical activity, safety and tolerability of ivosidenib in adults with R/R AML. The trial consists of two parts: a dose escalation portion and a dose expansion portion. Agios has selected 500 mg QD as RP2D in continuous 28-day cycles for the expansion portion of the trial. The expansion portion of this trial was designed to enroll R/R AML patients with IDH1m who had a second or later relapse, had a relapse after stem-cell transplantation, had disease that was refractory to induction or reinduction chemotherapy, or had a relapse less than 12 months after initial therapy. Primary objectives of the trial were to assess the safety, maximum tolerated dose, recommended Phase II dose of ivosidenib and to assess clinical activity in the cohort of patients with R/R AML who received ivosidenib at a dose of 500 mg once daily in both the dose-escalation and dose-expansion phases, and had a minimum of six months of follow-up or discontinued earlier. Secondary objectives included characterization of the pharmacokinetic and pharmacodynamics profile of ivosidenib and clinical activity in all the patients.

The enrolled patients with R/R AML had a median age of 67 years (range of 18 to 87) and received a median of two prior anticancer therapies (ranging from 1 to 6). More than half (63%) were refractory to previous therapy and 33% had secondary AML.

Safety Data. The safety profile of single-agent ivosidenib was evaluated in 179 patients with R/R AML with an IDH1 mutation treated with a dose of 500 mg daily. The median duration of exposure to TIBSOVO was 3.9 months (range 0.1 to 39.5 months).

The most common adverse reactions (≥20%) of any grade were fatigue (39%), leukocytosis (38%), arthralgia (36%), diarrhea (34%), dyspnea (33%), edema (32%), nausea (31%), mucositis (28%), electrocardiogram QT prolonged (26%), rash (26%), pyrexia (23%), cough (22%), and constipation (20%). The most frequently reported ≥Grade 3 adverse reactions (≥5%) were electrocardiogram QT prolonged (10%), dyspnea (9%), leukocytosis (8%), tumor lysis syndrome (6%), and differentiation syndrome (5%). Serious adverse reactions (≥5%) were differentiation syndrome (10%), leukocytosis (10%), and electrocardiogram QT prolonged (7%). There was one case of progressive multifocal leukoencephalopathy (PML).

In the clinical trial, 19% (34/179) of patients experienced differentiation syndrome. Differentiation syndrome is associated with rapid proliferation and differentiation of myeloid cells and may be life-threatening or fatal if not treated. Symptoms of differentiation syndrome in patients treated with TIBSOVO included noninfectious leukocytosis, peripheral edema, pyrexia, dyspnea, pleural effusion, hypotension, hypoxia, pulmonary edema, pneumonitis, pericardial effusion, rash, fluid overload, tumor lysis syndrome, and creatinine increased. Of the 34 patients who experienced differentiation syndrome, 27 (79%) recovered after treatment or after dose interruption of TIBSOVO. Differentiation syndrome occurred as early as one day and up to three months after TIBSOVO initiation and has been observed with or without concomitant leukocytosis.

Efficacy Data. The efficacy of ivosidenib was evaluated in 174 adult patients with R/R AML with an IDH1 mutation identified or confirmed by the Abbott RealTime™ IDH1 assay, the U.S. FDA-approved test for the selection of AML patients for the treatment with ivosidenib. All the patients received ivosidenib at a starting dose of 500 mg daily until disease progression, development of unacceptable toxicity, or undergoing hematopoietic stem cell transplantation. The efficacy was established on the basis of complete remission (CR) plus complete remission with partial hematologic recovery (CRh). CR was defined as <5% blasts in the bone marrow, no evidence of disease, and full recovery of peripheral blood counts. CRh was defined as <5% blasts in the bone marrow, no evidence of disease, and partial recovery of peripheral blood counts. (Platelets >50,000/microliter and absolute neutrophil count >500/microliter).

The efficacy data from this trial is summarized in the table below:

Endpoint	ivosidenib (500 mg daily) N = 174
CR n (%)	43 (24.7)
95% CI	(18.5, 31.8)
Median DOR (months)	10.1
95% CI	(6.5, 22.2)
CR n (%)	14 (8.0)
95% CI	(4.5, 13.1)
Median DOR (months)	3.6
95% CI	(1, 5.5)
CR n (%)	57 (32.8)
95% CI	(25.8, 40.3)
Median DOR (months)	8.2
95% CI	(5.6, 12)

Source: Agios

The other clinical benefits demonstrated in the trial are as follows:

- among the 110 patients who were dependent on red blood cell (RBC) and/or platelet transfusions at baseline, 41 (37.3%) became independent of RBC and platelet transfusions during any 56-day post-baseline period; and

- of the 64 patients who were independent of both RBC and platelet transfusions at baseline, 38 (59.4%) remained transfusion independent during any 56-day post-baseline period.

Clinical Development Plan

IDH1m refractory/relapsed AML

Since ivosidenib has been approved by U.S. FDA for the treatment of IDH1m R/R AML, we have submitted IND application in January 2019 to the NMPA for a bridging trial in Chinese patients with R/R AML that harbors an IDH1 mutation. The trial is designed to assess the PK and efficacy of ivosidenib to support NDA submission in China. We expect to start the bridging trial in the second half of 2019, the timeline for trial completion, NDA submission and market launch will be dependent on the trial design including the sample size required by the NMPA.

IDH1m first-line AML

Agios is currently evaluating ivosidenib for the first-line treatment of IDH1m AML in two clinical studies:

- AGILE trial is a randomized and placebo-controlled Phase III trial, investigating ivosidenib in combination with azacitidine in patients with newly diagnosed IDH1m AML. We will join the global trial and lead the China part of the study and use data from the global trial to support NDA submission in China. The CTA application for AGILE trial was submitted to the NMPA in May 2018 by Agios's agent PPD and the approval was received in August 2018. We are preparing for the initiation of the AGILE study in China and expecting to dose the first patient in the first half of 2019.

- HOVON trial is a randomized, placebo-controlled Phase III trial, investigating ivosidenib or enasidenib in combination with 7+3 chemo regimen (7-day cytarabine and 3-day daunorubicin) in patients with newly diagnosed IDH1m AML who are not eligible for standard-of-care chemotherapy. We plan to submit CTA application for this study to the NMPA and join the global trial in the second half of 2019. If we participate in the global study, data from such study will be used to support NDA submission in China.

IDH1 mutant cholangiocarcinoma

Agios is conducting ClarIDHy trial, a randomized and placebo-controlled Phase III trial investigating ivosidenib as second and third-line treatment for advanced IDH1m cholangiocarcinoma. As the global trial of ClarIDHy is expected to be completed in early 2019 which leaves insufficient time for us to join the study, we plan to communicate with the NMPA on the design of a China-alone study to bridge the foreign data for NDA submission. We plan to submit the IND application for this trial in 2019. We are also exploring the possibility of developing ivosidenib in combination with CS1001 (PD-L1 antibody) or CS1003 (PD-1 antibody) in indications such as cholangiocarcinoma.

In July 2018, the U.S. FDA approved ivosidenib as the first IDH1 inhibitor for IDH1m R/R AML. There are currently no specific regulations on the companion diagnostic test used in conjunction with ivosidenib for patient identification in China. As the U.S. FDA approved companion diagnostic kit to detect IDH1 mutation for ivosidenib is not currently available for commercial use in China, we plan to initially use the U.S. FDA approved diagnostic kit to identify patients with IDH1 mutation for the purposes of the clinical trials conducted in China. We are also in the process of partnering with a local diagnostic development company in China to develop the diagnostic kit for ivosidenib in preparation for the commercial launch of ivosidenib. We have already selected two local diagnostic development companies in China as partnership candidates based on their prior experience in diagnostics development, scientific strength, and business capability to co-promote drug commercialization. The partnership is expected to be finalized in early 2019.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IVOSIDENIB SUCCESSFULLY.

CS1001 (PD-L1 antibody)

CS1001 is an investigational monoclonal antibody directed against programmed cell death ligand 1 (PD-L1) that is currently being investigated in pivotal clinical trials in China and for which we plan to commence additional pivotal trials in combination with standard-of-care or target therapies to treat various solid tumors and hematological malignancies. CS1001 specifically binds to PD-L1, blocking its ligation with programmed cell death 1 (PD-1), a cell surface receptor that plays an important role in downregulating the immune system by preventing the activation of T cells. CS1001 is a high-affinity, fully-human immunoglobulin G4 (IgG4) monoclonal antibody. As a fully-human, full-length anti-PD-L1 monoclonal antibody, CS1001 mirrors natural G-type IgG4 human antibody, which may potentially reduce the risk of immunogenicity and toxicity in patients, a potential unique advantage and differentiation factor compared to similar drugs. We have initiated a first-in-human Phase I study since October 2017 to evaluate the safety, tolerability, PK and anti-tumor activity of CS1001 in patients with advanced tumors in China. The Phase Ia (dose escalation) portion was completed in May 2018, and the Phase Ib (dose expansion) portion has also been initiated. The Phase Ia clinical data demonstrates a safety and tolerability profile equivalent to those typically obtained from traditional Phase I clinical trials as categorized by the U.S. FDA.

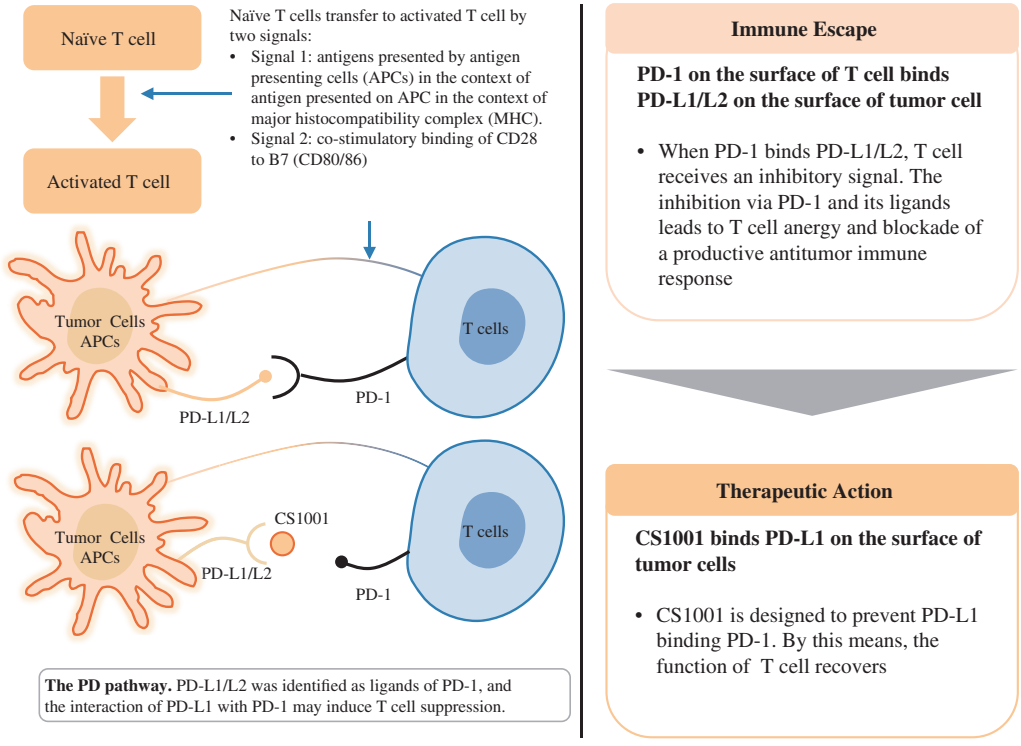
Several pivotal studies are underway in parallel, including studies on certain tumor types with high incidence and prevalence rates in China. We have consulted with the NMPA and after reviewing the relevant Phase Ia data, the NMPA confirmed no objection for the initiation of a Phase II trial of CS1001 as a monotherapy for the treatment of cHL and Natural killer/T cell lymphoma (NKTL) and a Phase III clinical trial of CS1001 as a monotherapy for the treatment of Stage III NSCLC. In June 2018, we began Phase II clinical trials of CS1001 for treatment of cHL and NKTL. In October 2018, we began a Phase III clinical trial of CS1001 for Stage III NSCLC. In December 2018, we began a Phase III clinical trial of CS1001 in combination with standard-of-care therapies for the treatment of Stage IV NSCLC. We believe that CS1001 will be among the first wave of PD-L1 antibodies approved in China for large indications.

Pursuant to a research and development contract dated as of February 23, 2016 with WuXi Biologics (Cayman) Inc. (WuXi Biologics), in March 2017 WuXi Biologics transferred to us its rights to patents relating to CS1001 to be issued in the future in Mainland China, Hong Kong SAR, Macau SAR, and Taiwan. We also obtained an exclusive license from WuXi Biologics, with the authorization of a third-party joint applicant, to the PCT application relating to CS1001 to commercialize, develop and manufacture CS1001 and products containing CS1001 worldwide excluding Mainland China, Hong Kong SAR, Macau SAR and Taiwan (the "**ex-China Territory**"). Ownership of the PCT application and future issued patents in the ex-China Territory remain with WuXi Biologics and the third-party joint applicant. For details, see "– Our Relationship with CROs – Our Relationship with WuXi Biologics and WuXi AppTec – WuXi Biologics", "Collaboration and Licensing Agreements – Collaboration with WuXi Biologics" and "– Intellectual Property."

Mechanism of Action

Under normal physiological conditions, the immune system responds to antigens by promoting the proliferation of antigen specific T cells, called cytotoxic T-lymphocytes (CTLs). CTLs play important roles in self-defense against cancer, patrolling human body, recognizing cancer cells due to their immunogenic features that differ from normal cells, and killing cancer cells by injecting deleterious proteins into them. A number of intrinsic mechanisms, including the expression of PD-1 on the surface of CTLs, prevent CTLs from attacking normal cells. PD-L1 is an important ligand protein that can engage PD-1. The binding of PD-L1 expressed on the surface of normal cells to PD-1 on the surface of T cells can transduce inhibitory signals to reduce the proliferation of T cells and prevent T cells from attacking normal cells, enabling the body to resume its natural immune balance after the pathogens are removed. However, within the tumor microenvironment, many types of tumor cells will up-regulate PD-L1 expression levels, which bind to PD-1 on the surface of T cells and allow tumor cells to "escape" the recognition and attack by the T cells. CS1001 (PD-L1 antibody) is a monoclonal antibody designed to specifically bind to PD-L1, thereby blocking engagement of PD-L1 to its receptor PD-1 and restoring the ability of T cells to kill tumor cells.

The diagram below illustrates the mechanism of action of CS1001:



Source: Frost & Sullivan Analysis

Note: CS1001 prevents PD-L1 binding to PD-1 and restores the ability of CTLs to attack cancer cells.

Market Opportunity and Competition

There is significant market potential in China for PD-1 or PD-L1 antibody drugs according to Frost & Sullivan. Currently available clinical data suggests that some of the most prevalent cancers in China, such as lung, liver, stomach, colorectal and esophageal cancers, are potentially responsive to the PD-1/PD-L1 class of drugs. Lung cancer is the most common type of cancer in China and NSCLC accounts for approximately 85% of the lung cancer population. Among NSCLC patients, 17% have Stage III NSCLC and over 50% have Stage IV NSCLC, and approximately 30% of Stage IV NSCLC patients harbor the EGFR mutation. As a result, approximately 35% of NSCLC patients are non-EGFR mutant Stage IV NSCLC patients. Together with other cancer types (such as bladder, melanoma and kidney cancers), the overall annual incidence of cancers in China that are potentially responsive to the PD-1/PD-L1 antibodies was approximately 3.4 million in 2017, which is more than 80% of the incidence of cancer in China.

The NMPA released guidance in February 2018 on the requirements for NDA submissions of PD-1/PD-L1 drug candidates, specifically for data from single-arm trials on refractory/recurrent advanced cancers without standard-of-care therapies. A pre-NDA meeting is required before the NDA submission, and a rolling NDA submission will be accepted for PD-1/PD-L1 therapies.

As of January 2019, there were one NDA of PD-L1 inhibitor Imfinzi (durvalumab) submitted by AstraZeneca under the NMPA's review and several anti-PD-L1 drug candidates in late-stage clinical development in China, including Roche's Tecentriq (atezolizumab), Merck KGaA/Pfizer's Bavencio (avelumab), CS1001, KN035 by Alphamab and ZKAB001 by Zhaoke Pharmaceutical. Atezolizumab, durvalumab and avelumab have already received U.S. FDA approval.

According to the Frost & Sullivan Report, China PD-1/PD-L1 inhibitor market is expected to increase from RMB1.2 billion in 2019 to RMB37.4 billion in 2022 at a CAGR of 216.7% and further to RMB98.4 billion in 2030 at a CAGR of 12.8% from 2022.

The following table sets forth comparisons between CS1001 (PD-L1 antibody) and other PD-L1 antibody candidates in late clinical stage in China:

Generic Name	Brand Name/Drug Code	Company	NMPA Filing Status	Proposed Indications	Date*
	CS1001	CStone	Phase III	NSCLC, NKTL, HCC, cHL, Gastric Cancer	2017/7/2
Atezolizumab	Tecentriq®	Roche	Phase III	HNSCC, HCC, NSCLC, TNBC, UCC, SCLC	2015/10/15
Avelumab	Bavencio®	Merck KGaA & Pfizer	Phase III	HNSCC	2016/7/11
	KN035	Alphamab	Phase III	BTCA, Gastric Cancer, CRC	2016/7/11
	ZKAB001	Zhaoke Pharmaceutical	Phase I/II	Osteosarcoma, URR	2018/1/17

* refers to the IND approval date.

Source: Frost & Sullivan Analysis.

The following table sets forth current PD-L1/PD-1 clinical trials in China in selected large indications:

Generic Name	Brand Name/Drug Code	Company	PD-1/PD-L1	NMPA Filing Status	Date*
Consolidation therapy for stage III NSCLC after radiotherapy					
Durvalumab	Imfinzi	AstraZeneca	PD-L1	Phase III	May 2017
	CS1001	CStone	PD-L1	Phase III	Aug 2018
1L advanced HCC					
Nivolumab	Opdivo	BMS	PD-1	Phase III	Sep 2016
Tislelizumab	BGB-A317	BeiGene	PD-1	Phase III	Jan 2018
Atezolizumab	Tecentriq	Roche	PD-L1	Phase III	May 2018
Durvalumab	Imfinzi	AstraZeneca	PD-L1	Phase III	Jun 2018
Camrelizumab	SHR-1210	Hengrui	PD-1	Phase III	Jul 2018
1L/2L PD-L1 (+) unresectable locally advanced stage III/IV gastric cancer					
Nivolumab	Opdivo	BMS	PD-1	Phase III	May 2017
Camrelizumab	SHR-1210	Hengrui	PD-1	Phase II	Mar 2018

* Refers to the start time of relevant clinical studies.

Sources: CDE, Chinadrugtrials, Frost & Sullivan Analysis

The following table sets forth current clinical trials in China in cHL, NKTL and melanoma:

Generic Name	Brand Name/Drug Code	Company	PD-1/PD-L1	NMPA Filing Status	Date*
Classical Hodgkin's Lymphoma					
Sintilimab	Tyvyt®	InnoventBio	PD-1	NDA approved	Dec 2018
Camrelizumab	SHR-1210	Hengrui	PD-1	NDA filed***	Apr 2018
Tislelizumab	BGB-A317	BeiGene	PD-1	NDA filed**	Sep 2018
	AK105	Akesobio	PD-1	Phase I/II	Aug 2018
	CS1001	CStone	PD-L1	Phase II	May 2018
Natural Killer T-cell Lymphoma					
Sintilimab	IBI308	InnoventBio	PD-1	Phase II	Aug 2017
Camrelizumab	SHR-1210	Hengrui	PD-1	Phase II	Dec 2017
Tislelizumab	BGB-A317	BeiGene	PD-1	Phase II	Jan 2018
	CS1001	CStone	PD-L1	Phase II	May 2018
Melanoma					
Pembrolizumab	Keytruda	MSD	PD-1	Marketed	Marketed
Toripalimab	JS001	Junshi	PD-1	NDA approved	Dec 2018
	HX008	Hansi Biological	PD-1	Phase II	Oct 2018
Camrelizumab	SHR-1210	Hengrui	PD-1	Phase I	Apr 2016

* Refers to the start time of relevant clinical studies.

** Tislelizumab submitted NDA in September 2018.

*** Camrelizumab submitted NDAs in April 2018.

Sources: CDE, Chinadrugtrials, Frost & Sullivan Analysis

Summary of Pre-clinical Data

In vitro pharmacology studies showed that CS1001 (PD-L1 antibody) can effectively block the association of PD-L1 with PD-1 by binding to PD-L1 protein expressed on cell surface, and induced the proliferation of CD4+ T lymphocytes and the production of interleukin-2 (IL-2) and interferon-γ (IFN-γ). In addition, CS1001 employs IgG4 isotype and lacks antibody-dependent cellular mediated cytotoxicity (ADCC) or complement-dependent cytotoxicity (CDC), thus avoiding directly damaging of PD-L1(+) lymphocytes. In vivo pharmacology studies showed that in the subcutaneous humanized PD-L1 and PD-1 mouse model, CS1001 significantly inhibited tumor growth and was well tolerated by the animals.

Pre-clinical Research

From February 2016 and before we obtained IND approvals for CS1001 (PD-L1 antibody) in China in June 2017 and the U.S. in September 2018, our senior management led an internal team with experience in pharmacology, toxicology and cancer biology, and worked with industry-leading CROs to conduct the following pre-clinical research and regulatory work for CS1001 (PD-L1 antibody): (1) design and assessment of efficacy in mouse tumor models, (2) dose selection, (3) toxicity testing, (4) PK and PD studies, (5) CMC development, (6) preparation and modification of IND package, (7) onsite inspection, (8) registration sample submission, and (9) pre-CTA meeting preparation and participation.

We have continued preclinical research of CS1001 (PD-L1 antibody) to further the following objectives (1) better understand the pharmaceutical properties of the antibody including pharmacokinetics, pharmacodynamics and receptor occupancy under different dosing strategies, (2) evaluate CS1001 combination potential with other drug candidates from our pipeline such as, our CDK4/6, HDAC6, and FGFR4 inhibitors (CS3002, CS3003, and CS3008 (BLU-554), respectively), or compounds from external partners, (3) to determine the crystal structure to better understand the mode of interaction with PD-L1, and (4) to better understand the mechanism of action, such as the effects of CS1001 on macrophages.

Clinical Research

Since obtaining the IND approval from the NMPA in June 2017, our senior management has led an internal team with extensive clinical development experience and worked with industry-leading CROs to carry out the following activities for the ongoing and planned clinical trials of CS1001 (PD-L1 antibody): (1) clinical development plan formulation by taking into consideration both the scientific rationale (e.g., mechanism of action, pre-clinical data, available clinical data, and research opportunity assessment) and market value assessment (e.g., addressable patient population evaluation, market access analysis, and competitive landscape consideration), (2) design of trial proposal and investigator protocol, including study objectives and endpoints, study population (sample size and inclusion/exclusion criteria), study duration, randomization schedule, adverse events and serious adverse events, quality control and quality assurance, and data management, (3) trial preparation, including site selection and laboratory visits, (4) patient recruitment, including carrying out patient evaluation based on study design and obtaining subject information consent, (5) patient dosing, such as carrying out daily measurements and monitoring for adverse events through certain CROs, and (6) outcome measurements, including efficacy and safety endpoint data assessment. Our internal clinical development team has performed core functions such as designing clinical development strategy and protocol in-house and exercising control and oversight over key components of clinical trial management, including data source validation. With close supervision and control, we have worked with leading CROs on day-to-day clinical activities to ensure effective and seamless execution to allow flexibility to scale up and achieve operating efficiency. CS1001's clinical development programs are led by two program leaders with extensive clinical development experience and knowledge who formulate a clinical development plan, design the trial protocol, oversee the trial execution and prepare the NDA filing, all with support from the other experienced team members.

Summary of Clinical Trial Data

Overview. We are conducting a multi-center, single-arm, open-label Phase I trial to evaluate the safety, tolerability, PK, and preliminary anti-tumor activity of CS1001 (PD-L1 antibody) in patients with advanced solid tumors and lymphoma in China. We have published the preliminary safety and efficacy data of this trial at the 2018 Annual Meeting of Chinese Society of Clinical Oncology in September 2018, which demonstrated that CS1001 was generally well tolerated and efficacious in a variety of cancer types.

Trial Design. This trial consists of two parts, a Phase Ia (dose escalation) part and a Phase Ib (dose expansion) part. Phase Ia trial used a classic 3+3 dose-escalation design. Patients received CS1001 (PD-L1 antibody) intravenously across 5 cohorts at 3 mg/kg, 10 mg/kg, 20 mg/kg, 1200 mg flat dose, and 40 mg/kg once every three weeks (Q3W). The Phase Ib trial is designed to enroll patients with various solid tumors and hematological malignancies. The primary objective of the Phase Ia trial is to determine the safety, tolerability, and MTD/recommended Phase II dose (RP2D) of single-agent CS1001. The primary objective of the Phase Ib trial is to assess preliminary antitumor activity of CS1001 administered as single-agent or in combination with other anti-tumor therapies in patients with protocol-specified tumor types. Secondary objectives of the Phase Ia and Phase Ib trials include assessing PK parameters of CS1001, evaluating preliminary antitumor activity, and evaluating the immunogenicity of CS1001. Safety and tolerability were assessed by monitoring AEs. Tumor assessments were performed per Response Evaluation Criteria in Solid Tumors (RECIST) version 1.1 (solid tumors) or Lugano 2014 criteria (lymphomas).

Trial Status. The Phase I clinical trial for CS1001 (PD-L1 antibody) was initiated in China in October 2017. The Phase Ia trial has been completed in May 2018, and the Phase Ib trial has started patient recruitment in June 2018. As of the data cutoff date of July 20, 2018, 29 patients were enrolled into the Phase Ia part of the study and received at least one dose of CS1001, and 19 patients have been enrolled into the Phase Ib part of the study and have received at least one dose of CS1001 per treatment. Preliminary data from the Phase I study of CS1001 shows that CS1001 has been well tolerated in patients with advanced tumors, with a dose-proportional PK profile, and has demonstrated anti-tumor activity.

Safety data. As of the data cutoff date, preliminary data from the Phase I trial show that CS1001 (PD-L1 antibody) has been generally well tolerated in patients with advanced tumors. The Safety Monitoring Committee (SMC) of the trial has cleared all 5 dose levels. No dose-limiting toxicity (DLT) was observed, and MTD was not reached.

Phase Ia: As of the data cutoff date, 29 patients were enrolled in Phase Ia. These patients had received a median of two lines of prior anti-cancer treatment. The median duration of study treatment was 87 days, with a range of 21 to 275+ (treatment ongoing) days. The majority of the patients (18 out of 29, 62%) remained on study treatment of CS1001. 26 of the 29 patients experienced TEAE. 24 patients had treatment-related TEAEs. The most frequent treatment-related TEAEs, as shown in the table below, were anemia (41%), proteinuria (24%), blood bilirubin increase (21%). Eight patients experienced nine Grade 3 TEAEs. Except for one event of anemia and one event of platelet count decrease, all Grade 3 TEAEs were considered as not related to the treatment by investigators. Four serious AEs (SAEs) were reported in four patients (gastric hemorrhage, ascites, hepatic function abnormal, and pulmonary tuberculosis), all of which were assessed as not related to the treatment by the investigators. No Grade 4/5 TEAEs leading to treatment discontinuation were reported.

This table below summarizes the most frequent treatment-related TEAEs in the Phase Ia trial (All Grade ≥ 10%, or Any ≥ Grade 3).

Number of Subjects (%) with treatment-related AEs by MedDRA Preferred Term

	All grades N=29 (n,%)	Grade≥3 N=29 (n,%)
Anaemia	12 (41.4)	1 (3.5)
Proteinuria	7 (24.1)	0
Blood bilirubin increased	6 (20.7)	0
Aspartate aminotransferase increased	5 (17.2)	0
Decreased appetite	5 (17.2)	0
Alanine aminotransferase increased	4 (13.8)	0
Bilirubin conjugated increased	4 (13.8)	0
White blood cell count decreased	4 (13.8)	0
Nausea	4 (13.8)	0
Rash	3 (10.3)	0
Platelet count decreased	1 (3.5)	1 (3.5)

Note: MedDRA = Medical Dictionary for Regulatory Activities; AE = adverse event

Immune-related AEs (irAE) occurred in four patients, including hypothyroidism, adrenal insufficiency, hyperthyroidism, rash, pruritic rash, blood thyroid stimulating hormone decrease, thyroxine free increase, and triiodothyronine free increase. All irAEs were Grade 1-3.

Phase Ib: As of the data cutoff date, 19 patients were enrolled in Phase Ib and received at least one dose of CS1001. The median treatment duration was 22 days with a range of 3+ to 67+ days. 17 patients remained on study treatment. Among CS1001 monotherapy arms' 17 patients, 13 had at least one treatment-emergent adverse event (TEAE), and 10 had at least one treatment-related AE. Three patients had 4 Grade 3 TEAEs (aspartate aminotransferase increase, blood alkaline phosphatase increase, blood bilirubin increased, and hematochezia), all of which were assessed as not related to the treatment by the investigators. Two patients experienced two SAEs of hematochezia and blood bilirubin increase, both of which were assessed as not related to the treatment by the investigators. Among CS1001 and chemotherapy combination arms' two patients, both reported TEAEs that were unrelated to the treatment. The events were Grade 1 abdominal distension, Grade 1 Abdominal pain, Grade 1 decreased appetite, and Grade 3 blood pressure increase. No Grade 4/5 TEAEs leading to treatment discontinuation were reported during the Phase Ib trial.

Efficacy data. As of the data cutoff date, a total of 25 patients with advanced tumors and treated by CS1001 (PD-L1 antibody) Q3W across 5 dose-escalating cohorts in Phase Ia were included in the efficacy analysis set, which is defined as patients who received study drug and had measurable disease at baseline (four ongoing patients who had not reached the 1st post-baseline tumor assessment were excluded). Five patients achieved PR. As of the data cutoff date, all of responders remained on study treatment. Eight additional patients achieved a best overall response of stable disease. Due to limited follow-up duration, efficacy in Phase Ib was not summarized.

The table below shows a summary of objective response in the efficacy analysis of Phase Ia.

Response[(1)], n (%)	**Total N = 25 (n, %)**
Partial response (PR)[(2)]	5 (20.0)
Stable disease (SD)	8 (32.0)
Progressive disease (PD)	9 (36.0)
Objective response (CR + PR)	5 (20.0)
Disease control (CR + PR + SD)	13 (52.0)

Notes:

(1) Response include four confirmed and one unconfirmed response, but subsequently confirmed after the cutoff date

(2) Patients with PR: ampullary carcinoma with MSI-H, cholangiocarcinoma, NSCLC, cervical cancer, mixed histology of esophagus cancer and melanoma

PK and Immunogenicity. PK data from 29 patients of Phase Ia demonstrated that CS1001 (PD-L1 antibody) had a dose-proportional PK profile across five dose levels. The clearance (CL) was 0.1-0.3 L/day, terminal half-life ($T_{1/2}$) was 12-17 days. Seven patients had at least one post-baseline positive adenosine deaminase (ADA) result. The incidence of ADA was 24.0%.

Clinical Development Plan

The chart below shows the indications for which we are currently evaluating CS1001 (PD-L1 antibody) in clinical trials:

Indication	Mono-/Combo-Therapy	Status	Location	Study sample size	(Expected) trial initiation date	Expected trial completion date[(2)]	Expected NDA submission date	Competent authority	NCT number
Solid tumors	Combo (with a PARP inhibitor)[(1)]	Ib	China	*	1H2019	*	*	CDE/NMPA	*
Solid tumors and lymphoma	Mono	Ib	China	300	Oct., 2017	2020	*	CDE/NMPA	NCT03312842
HCC	Combo (with CS3008)	I	China	*	2H2019	*	*	CDE/NMPA	*
Solid tumors/ multiple myeloma	Combo (with CS3003)	I	Australia and China	*	2H2019	*	*	TGA and CDE/NMPA	*
Solid tumors	Combo (with CS3002)	I	Australia and China	*	2H2019	*	*	TGA and CDE/NMPA	*
Solid tumors	Mono	I	U.S.	16	Dec., 2018	2019	*	U.S. FDA	NCT03744403
cHL	Mono	II	China	80	Jun., 2018	2019	1H2020	CDE/NMPA	NCT03505996
NKTL	Mono	II	China	80	Jun., 2018	2019	1H2020	CDE/NMPA	NCT03595657
Gastric cancer	Combo (with standard of care)	III	China	*	1H2019	2021	*	CDE/NMPA	*
HCC	Combo (with standard of care)	III	China	*	1H2019	*	*	CDE/NMPA	*
Stage III NSCLC	Mono	III	China	402	Oct., 2018	2020	*	CDE/NMPA	NCT03728556
Stage IV NSCLC	Combo (with standard of care)	III	China	480	Dec., 2018	2020	*	CDE/NMPA	NCT03789604

Abbreviations: cHL = Classical Hodgkin's lymphoma, NKTL = Natural Killer/T cell lymphoma, NSCLC = Non-small cell lung cancer, HCC = Hepatocellular carcinoma, PARP = Poly (ADP-ribose) polymerase.

* = Still in planning phase

Notes:

(1) PARP inhibitor is a product being developed by an independent third party partner and is currently not commercially available.

(2) Denotes the date on which the last patient is enrolled.

The chart below shows our clinical work stream activities and objectives of ongoing trials of CS1001 (PD-L1 antibody):

Indication	Mono-/Combo-Therapy	Status	Activities	Primary objective(s)/endpoint(s)	Secondary objectives/endpoints	Expected Duration
Solid tumors and lymphoma[1]	Mono	I	Phase Ia completed; Phase Ib ongoing (patient enrollment, efficacy and safety assessments)	Phase Ia: To determine the safety, tolerability, and MTD/TP2D of CS1001; Phase Ib: To assess preliminary antitumor activity of CS1001	To characterize the pharmacokinetic (PK) profile, evaluate preliminary anti-tumor activity and assess the immunogenicity of CS1001	Approximately 3 years
Solid tumors[2]	Mono	I		To assess the safety and tolerability of CS1001. To determine the Recommended Phase II Dose (RP2D) of CS1001	To characterize the PK profile, evaluate preliminary anti-tumor activity and assess the immunogenicity of CS1001	Approximately 1 year
cHL[3]	Mono	II	Patient enrollment, efficacy and safety assessments	ORR assessed by independent radiological review committee (IRRC), defined as proportion of subjects who achieve CR or PR as the best response	ORR assessed by investigators, CR rate and PR rate assessed by IRRC and investigator, time to response (TTR), duration of response (DoR), 6-month progression-free survival (PFS) rate; frequency and severity of AE, frequency of SAE, PK profile as measured by serum concentrations, rate of anti-drug antibody (ADA) occurrence	Approximately 1.5 years
NKTL[4]	Mono	II	Patient enrollment, efficacy and safety assessments	ORR assessed by IRRC	ORR assessed by investigators, CR rate and PR rate assessed by IRRC and investigator, TTR, DoR, 6-month PFS rate; frequency and severity of AE, frequency of SAE, PK profile as measured by serum concentrations, rate of ADA occurrence	Approximately 1.5 years
Stage III NSCLC[5]	Mono	III	Site initiation, patient enrollment, efficacy and safety assessments	PFS assessed by investigators according to RECIST v1.1	Overall survival (OS), PFS assessed by blinded independent central review (BICR) according to RECIST 1.1, ORR by investigator and BICR, DoR by investigator and BICR, time to distant metastasis (TTDM) by investigator and BICR; the above efficacy endpoints in the subgroup of tumor mutation burden (TMB)>=10; safety and tolerability; PK and ADA	Approximately 2 years
Stage IV NSCLC[6]	Combo (with standard of care)	III	Site initiation, patient enrollment, efficacy and safety assessments	PFS assessed by investigators according to RECIST v1.1 in patients with PD-L1>=1% and in all patients	OS, PFS assessed by BICR according to RECIST v1.1, ORR and DoR assessed by investigators according to RECIST v1.1; safety and tolerability; PK and ADA; investigator-assessed ORR, DoR, PFS, and OS in crossed-over patients after disease progression	Approximately 1.8 years

(1) multi-center, single-arm trial
(2) multi-center, single-arm trial
(3) multi-center, single-arm trial
(4) multi-center, single-arm trial
(5) multi-center, double-blind, randomized, placebo-controlled trial
(6) multi-center, double-blind, randomized, placebo-controlled trial

In China, we are strategically developing CS1001 (PD-L1 antibody) for two small indications, cHL and NKTL, that may lead to faster registration and market penetration.

- cHL: We are conducting a multi-center, single-arm, open-label Phase II trial to evaluate the efficacy, safety, PK and immunogenicity of CS1001 as a monotherapy in patients with cHL in China. We plan to enroll a total of 80 patients in this trial. The first patient was dosed in June 2018 and the enrollment is currently ongoing. The primary endpoint of this trial is objective response rate. We expect to make the NDA submission for cHL in the first half of 2020.

- NKTL: We are conducting a multi-center, single-arm, open-label Phase II trial to evaluate the efficacy, safety, PK and immunogenicity of CS1001 as a monotherapy in patients with NKTL in China. We plan to enroll a total of 80 patients in this trial. The first patient was dosed in June 2018 and the enrollment is currently ongoing. The primary endpoint of this trial is objective response rate. We plan to make the NDA submission for NKTL in the first half of 2020.

We are evaluating CS1001 (PD-L1 antibody) in several large indications in China.

- Stage III NSCLC: We are conducting a multi-center, randomized, placebo-controlled, double-blind Phase III trial to evaluate the efficacy, safety, PK and immunogenicity of CS1001 as a monotherapy in patients with locally advanced/unresectable Stage III NSCLC that has not progressed after prior concurrent sequential chemoradiotherapy in China. We plan to enroll a total of 402 patients in this trial and the enrollment is currently ongoing. The first patient was dosed in October 2018. The primary endpoint of this trial is progression-free survival.

- Stage IV NSCLC: We are conducting a Phase III trial of CS1001 in combination with standard-of-care therapies for the treatment of patients with Stage IV NSCLC in China by the end of 2018. The first patient was dosed in December 2018.

- Gastric cancer: We plan to initiate a Phase III trial of CS1001 in combination with standard-of-care therapies for the treatment of patients with gastric cancer in China in the first half of 2019.

- HCC: We plan to initiate a Phase III trial of CS1001 in combination with standard-of-care therapies for the treatment of patients with HCC in China in the first half of 2019.

To further capture the market potential of CS1001 (PD-L1 antibody), we plan to conduct the following combination therapies in addition to the clinical trials described above:

- Phase I trial of CS1001 in combination with CS3008 (FGFR4 inhibitor) for the treatment of patients with HCC in China in the second half of 2019. We have submitted IND applications to the NMPA in February 2019.

- Phase Ib trial of CS1001 in combination with a PARP inhibitor for the treatment of patients with solid tumors in China in the first half of 2019.

- Phase I trial of CS1001 in combination with CS3002 (CDK4/6 inhibitor) for the treatment of patients with solid tumors in Australia and in China in the second half of 2019.

- Phase I trial of CS1001 in combination with CS3003 (HDAC6 inhibitor) for the treatment of patients with solid tumors in Australia and in China in the second half of 2019.

We are also considering evaluating CS1001 (PD-L1 antibody) in combination with ivosidenib in indications such as cholangiocarcinoma, with CS3009 (RET inhibitor) in indications such as NSCLC, and with avapritinib in indications such as GIST.

Globally, we have obtained IND clearance from the U.S. FDA in September 2018. We have initiated a multi-center, single-arm, open-label Phase I trial to evaluate the safety, tolerability, PK, and preliminary anti-tumor activity of CS1001 in patients with solid tumors in the United States. The first patient was dosed in December 2018.

As of the Latest Practicable Date, no material adverse change has occurred with respect to the regulatory review or approval process of CS1001.

Cautionary Statement required by Rule 18A.05 of the Listing Rules of the Hong Kong Stock Exchange: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS1001 SUCCESSFULLY.

AVAPRITINIB (CS3007, BLU-285)

In June 2018, we entered into an exclusive collaboration and license agreement with Blueprint, concerning the development and commercialization of avapritinib (CS3007), in Mainland China, Hong Kong SAR, Macau SAR and Taiwan, either as monotherapies or combination therapies. For details, see "– Collaboration and Licensing Agreements."

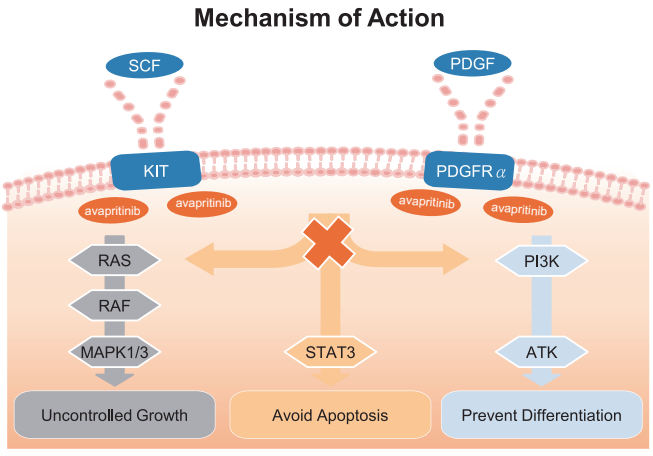
Avapritinib (CS3007) is an orally available, potent and highly selective inhibitor of homologous kinases KIT and PDGFRα that is currently being evaluated by Blueprint in a broad clinical program globally for the treatment of cancers driven by such mutations, including GIST and SM. In June 2017, avapritinib (CS3007) received Breakthrough Therapy Designation from the U.S. FDA for the treatment of patients with unresectable or metastatic GIST harboring the PDGFRα D842V mutation. Previously, the U.S. FDA granted orphan drug designation for

the treatment of GIST and SM and fast track designation to avapritinib (CS3007) for the treatment of patients with unresectable or metastatic GIST that has progressed following treatment with imatinib and a second tyrosine kinase inhibitor, or TKI, and for the treatment of patients with unresectable or metastatic GIST with the PDGFRα D842V mutation regardless of prior therapy. In addition, the European Commission granted orphan drug designation to avapritinib (CS3007) for the treatment of GIST in July 2017.

Mechanism of Action

KIT is a tyrosine receptor kinase that is normally expressed in hematopoietic stem cells, MCs, melanocytes, and the interstitial cells of Cajal in the digestive tract. Under physiological conditions, stem cell factor (SCF; also known as KIT-ligand) binds and activates KIT by inducing KIT dimerization, autophosphorylation and initiation of downstream signaling pathways that mediate KIT biologic effects on cellular proliferation and differentiation. Platelet-derived growth factor receptor α (PDGFRα) is a tyrosine receptor kinase that binds to the PDGF family of proteins, and plays a role in activation of the downstream cell signaling leading to cellular survival, growth, and differentiation. Mutations in KIT and PDGFRα abnormally activate TKIs that are drivers of cancer and proliferative disorders, including GIST, and SM. Avapritinib (CS3007) is specifically designed to preferentially interact with the active conformation of KIT and PDGFRα to potently inhibit activation loop mutants not well-targeted by other agents, as well as a broad spectrum of other clinically relevant mutations.

The diagram below illustrates the mechanism of action of avapritinib:



Tyrosine kinase inhibitors bind to the catalyst regions of KIT and PDGFRα, preventing signaling to downstream pathways. Inhibitors usually bind to exon 11 and exon 17 regions of KIT, where oncogenic mutations commonly occur. Inhibitors of PDGFRα usually bind at exon 18.

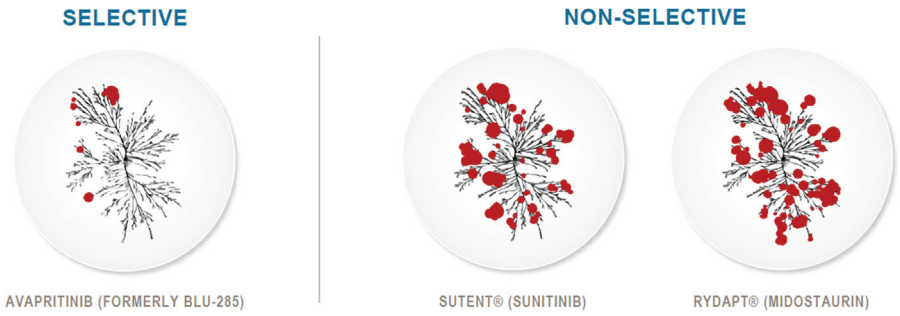
Predominant oncogenic pathways for both KIT and PDGFRα include:

- STAT3 pathway: support evasion of apoptosis.
- MAPK pathway: promotes uncontrolled transcription and growth.
- PI3K/ATK pathway: promotes proliferation over differentiation.

Source: Frost & Sullivan Analysis.

Note: Avapritinib binds to KIT and PDGFRα and inhibits tumor growth through downstream pathways.

As illustrated by the kinome selectivity diagram below, avapritinib is able to potently and selectively inhibit both KIT and PDGFRα mutations with minimal inhibition of other kinases.



Each branch of the dendrogram represents an individual human kinase. *Kinome illustration reproduced courtesy of Cell Signaling Technology, Inc., or CSTI (www.cellsignal.com). The foregoing website is maintained by CSTI, and we are not responsible for its content.*

Market Opportunity and Competition

Gastrointestinal Stromal Tumor (GIST)

GIST is a relatively rare disease that is a sarcoma, or tumor of bone or connective tissue, of the gastrointestinal tract (GI tract). The PDGFRα D842V mutation is found in approximately 5% of frontline unresectable or metastatic GIST patients, according to the Frost & Sullivan Report. Incidence of GIST in China has grown from 26,200 in 2013 to 30,000 in 2017, representing a CAGR of 3.4%. Incidence is forecasted to continue to rise to 34,600 by 2022, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, the number of GIST patients addressable by KIT and PDGFRα specific inhibitors in China in 2017 is approximately 20,900.

The GIST treatment paradigm has advanced dramatically over the past 15 years. Unresectable or metastatic patients typically receive imatinib, followed by sunitinib and regorafenib as the disease progresses. The treatment of GIST in China is primarily dependent on surgery and targeted chemotherapy. Approximately 90% of patients with newly diagnosed GIST have a tumor that is dependent on a mutation in either V-kit Hardy-Zuckerman 4 feline sarcoma viral oncogene homolog (KIT) (75-80%) or the highly related protein platelet-derived growth factor receptor alpha (PDGFRα) (10-15%) (Antonescu et al., 2005; Barnett et al., 2012; Corless et al., 2005). The remaining cases, denoted as KIT and PDGFRα wild-type, are due to other abnormalities such as succinate dehydrogenase deficiency (Nannini et al., 2013). For patients with KIT-driven GIST, current medical therapies slow the course of the disease, but progression is inevitable in most cases. Imatinib effectively inhibits most KIT primary mutations; however, over time, secondary mutations occur elsewhere in the KIT gene that lead to kinase activation despite the presence of imatinib, thereby leading to disease progression. Up to 50% of patients treated with frontline imatinib relapse within approximately 18 months. Of the secondary resistance mutations that lead to relapse, many of the mutations are not addressed by current therapies and confer resistance to current treatments. A therapy that effectively suppresses a broad spectrum of KIT mutations and that is potentially amenable to combinations with existing agents is needed.

A majority of mutations in PDGFRα occur at amino acid 842, with the most common mutation at this site being a substitution of valine for aspartic acid (D842V). D842V mutation is found in approximately 5%-6% of frontline unresectable or metastatic GIST patients. Despite the more indolent course of PDGFRα-mutated GIST, once metastatic, patients with GIST harboring the PDGFRα D842V mutation have an extremely poor prognosis and respond poorly to imatinib and other TKIs. Progression can occur within as little as three months, and the median overall survival is 15 months for patients with an advanced form of disease. PDGFRα has a very similar active site structure to KIT, and the PDGFRα D842V mutation is homologous to KIT D816V mutation. Patients with PDGFRα D842V-driven GIST have great unmet medical need, as no approved medical therapies are effective. Globally, there is no marketed PDGFRα inhibitor. Avapritinib (CS3007) is the only PDGFRα inhibitor under clinical development in China.

Systemic Mastocytosis (SM)

Systemic mastocytosis (SM) is a rare disorder that causes an overproduction of mast cells and the accumulation of mast cells in the bone marrow and other organs, which can lead to a wide range of debilitating symptoms and organ dysfunction and failure. Population studies based on the Danish National Health Registry estimate the incidence of all subtypes of SM from 0.5 to 1/100,000 new patients in the United States per year. This represents approximately 3,200 new patients diagnosed per year in the United States. SM is classified into 4 subcategories per WHO criteria: indolent SM (ISM; no evidence of extracutaneous organ dysfunction), aggressive SM (ASM; presence of extracutaneous organ dysfunction), SM with an associated hematologic non-mast cell disease (SM-AHNMD) and mast cell leukemia (MCL; $\geq$ 20% MCs in BM aspirate smear). Patients with ISM have a normal life expectancy; however, patients with advanced SM (advSM; defined as ASM, SM-AHNMD, and MCL) have significantly shortened life expectancy due to multi-organ dysfunction/failure related to MC infiltration and consequent tissue destruction. Within advSM, MCL carries the worst prognosis (median survival 2 months) followed by SM-AHNMD (median survival 24 months) and ASM (median survival 41 months). Thus, there remains a need for better advSM therapies. Although heterogeneity characterizes the clinical presentation of SM, gain of function mutation of the receptor tyrosine kinase (RTK), KIT, is common to all subtypes, with the vast majority of cases harboring the KIT D816V mutation. According to the Frost & Sullivan Report, the number of patients with ASM that are addressable by KIT and PDGFRα specific inhibitors in China in 2017 is 1,300.

Current treatment of ISM focuses on symptom control with agents that counter MC mediators (antihistamines; corticosteroids); whereas, treatment of advSM relies on cytoreductive therapies such as cladribine, hydroxyurea, and interferon-alpha (INFα). Unfortunately, current cytoreductive treatments have significant toxicities and limited impact on the course of the disease. Imatinib is highly effective for ASM that lacks the D816V mutation, with complete hematologic responses in most of these patients however, imatinib is not active in the disease carrying D816V, which accounts for the large majority of patients with advSM. Midostaurin demonstrated the validity of targeting KIT D816V and was approved in April 2017 by the U.S. FDA for the treatment of advanced SM, but it does not target the PDGFRα D842V mutation. Overall, these data highlight the continued need for more efficacious and safer therapies for patients with advSM.

Summary of Pre-clinical Data

Avapritinib (CS3007) potently inhibits KIT D816V *in vitro* (IC_{50}, or the compound concentration at which 50% of the activity is inhibited relative to control lacking compound, = 0.27 nM). In contrast, imatinib inhibits KIT D816V at least 10,000-fold less potently (IC_{50} > 8,000 nM). Avapritinib potently inhibits PDGFRα D842V *in vitro* (IC_{50} = 0.24 nM). In contrast, imatinib inhibits PDGFRα D842V at least 3,000-fold less potently (IC_{50} = 759 nM). As shown in the table below, pre-clinical data have shown that avapritinib is active across a broad spectrum of KIT and PDGFRα mutations, including KIT D816V, PDGFRα D842V and KIT Exon 17 mutations, for which there are limited or no effective treatment options.

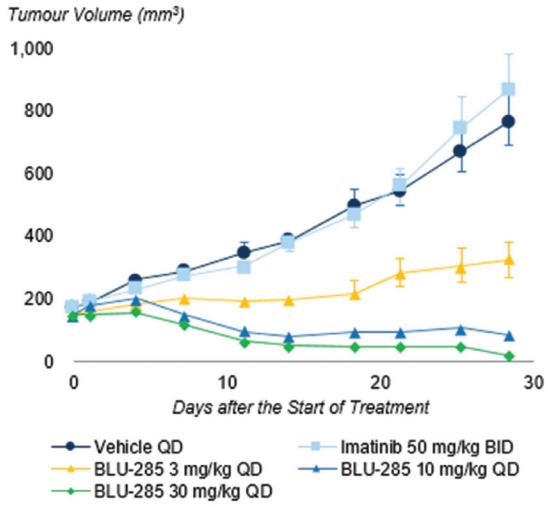
		IC_{50} (nM)	
		Avapritinib	**Imatinib**
KIT Exon 11 deletion	JM domain mutations	0.6	12
KIT Exon 11 V560G	ATP binding site mutations	1	87
KIT Exon 11/13	Activation loop mutations	11	9,160
KIT Exon 11/14		28	19,650
KIT Exon 17		<2	60-12,750
KIT Exon 17 D816V		0.27	8,150
PDGFRα Exon 18 D842V		0.24	759

Source: Blueprint.

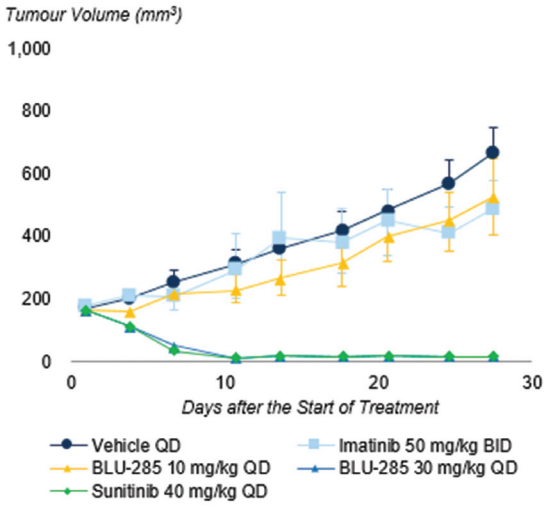
In several cellular models driven by activated KIT mutant proteins, avapritinib potently inhibits signaling of the oncogenic KIT mutant protein, as measured by inhibition of KIT autophosphorylation and inhibition of cellular proliferation. In HMC 1.2 cells, a human mast cell leukemia model driven by the KIT D816V mutation, avapritinib potently inhibits signaling of the mutant KIT protein as measured by inhibition of KIT autophosphorylation (IC_{50} = 4 nM). In contrast, imatinib inhibits KIT autophosphorylation at least 2,000-fold less potently. In P815 cells, a mouse mastocytoma model driven by an Exon 17 mutation, avapritinib potently inhibits signaling of the mutant KIT protein as measured by inhibition of KIT autophosphorylation (IC_{50} = 22 nM) as well as cellular proliferation (IC_{50} = 202 nM). By comparison, imatinib shows considerably lower cellular potency in the P815 model. In a cellular model driven by an activated PDGFRα D842V mutant protein, avapritinib potently inhibits signaling of the oncogenic PDGFRα mutant protein as measured by inhibition of PDGFRα autophosphorylation (IC_{50} = 30 nM). By comparison, imatinib shows at least 100-fold lower potency in the cellular model (IC_{50} = 3,145 nM).

Blueprint has also demonstrated significant anti-tumor efficacy with avapritinib (CS3007) in imatinib-resistant patient-derived xenograft models with a KIT Exon 17 resistance mutation, similar to what is found in relapsed/refractory KIT-driven GIST, as well as patient-derived xenograft models with KIT Exon 11 and KIT Exon 13 mutations. In these xenograft models, avapritinib administered orally for 25 days resulted in tumor regression at the two highest tested doses, which were well-tolerated.

Tumor regression elicited by avapritinib in a patient-derived GIST xenograft model with KIT 11 mutant/17 resistance mutant



Tumor regression elicited by avapritinib in a patient-derived GIST xenograft model with KIT 11/13 mutant



Source: Blueprint.

Summary of Clinical Trial Data – Phase I Clinical Trial for Patients with Advanced GIST

Overview. Avapritinib (CS3007) is currently being evaluated by Blueprint in the dose expansion portion of a Phase I clinical trial in patients with advanced GIST, which is referred to as the NAVIGATOR trial. The trial is designed to evaluate the activity, safety and tolerability of avapritinib in adults with advanced GIST. Based on the current data, we believe avapritinib has great potential to be an effective treatment for certain GIST patients.

Trial Design. The NAVIGATOR trial consists of two parts: a dose escalation portion and a dose expansion portion. The dose escalation portion has been completed, and patient enrollment in the dose expansion portion of the NAVIGATOR trial is currently ongoing at the RP2D of 300 mg QD. The dose expansion portion of this trial is designed to enroll patients in the following cohorts: (1) patients with a PDFGRα D842V mutation, regardless of line of therapy, (2) patients who have received imatinib and at least one other TKI and (3) patients who have received imatinib and no other TKI. Primary objectives for the dose expansion portion include determining ORR by RECIST and the safety and tolerability of avapritinib across the three expansion cohorts. Secondary objectives include characterizing the PK of avapritinib, assessing anti-tumor activity by Choi criteria and allelic burden using circulating tumor DNA and comparing progression-free survival, or PFS, for avapritinib with PFS for each patient's last prior anti-cancer therapy. All response assessments use blinded, central radiology review. The NAVIGATOR trial is designed to enroll approximately 250 patients, including approximately 50 patients during dose escalation and approximately 200 patients across all three expansion cohorts, at multiple sites in the United States, European Union and Asia.

Trial Status. In November 2017, Blueprint reported updated data from the dose escalation and expansion portions of the NAVIGATOR trial at the Connective Tissue Oncology Society Annual Meeting in the United States. As of the data cutoff date of October 11, 2017, 116 patients had been treated with avapritinib (CS3007) in the dose escalation and expansion portions of the NAVIGATOR trial at eight dose levels (ranging from 30 mg QD to 600 mg QD), including 76 patients with KIT-driven GIST, 39 patients with PDGFRα-driven GIST, and one patient with KIT/PDGFRα wild-type GIST. The median number of prior TKI regimens was four for patients with KIT-driven GIST (ranging from two to 11), and one for patients with PDGFRα-driven GIST (ranging from zero to six). Among patients with KIT-driven GIST, 64 patients (83%) previously received regorafenib. Blueprint has selected 300 mg QD as the RP2D for the expansion portion of the NAVIGATOR trial, with an option for investigators to escalate patients to the MTD of 400 mg QD following two treatment cycles.

Safety Data. As of the data cutoff date, avapritinib (CS3007) was generally well-tolerated. Most adverse events (AEs) reported by investigators were Grade 1 or 2. Across all grades, the most common TEAEs reported by investigators (≥20%) included nausea (56%), fatigue (53%), periorbital edema (43%), vomiting (41%), edema peripheral (34%), anemia (31%), diarrhea (31%), increased lacrimation (30%), cognitive effects (30%), decreased appetite (28%), dizziness (23%), constipation (22%) and hair color changes (22%). Cognitive effects are an aggregated category of individual cognitive events, each of which was observed in fewer than 20% of patients. Investigators reported treatment-related Grade ≥3 AEs in 39 patients (34%), including anemia (9%), fatigue (7%), hypophosphatemia (4%), nausea (4%) and cognitive effects (3%). Six patients (5%) discontinued treatment with avapritinib due to AEs. An additional 43 patients discontinued treatment: 40 patients due to progressive disease and three patients who withdrew consent. Among all 116 enrolled patients, 67 remained on treatment as of the data cutoff date.

Efficacy Data. As of the data cutoff date, 30 patients with KIT-driven GIST treated at 300 to 400 mg QD were evaluable for response assessments. In addition, 31 patients with PDGFRα D842-driven GIST at all doses were evaluable for response assessments, including 29 patients with a D842V mutation and two patients with other D842 mutations. Two patients with a PDGFRα exon 14 mutation were excluded from analysis of clinical activity. Patients were evaluable if they had at least one centrally reviewed radiographic scan, and all reported data are based on blinded central radiology review as per (mRECIST 1.1), or mRECIST 1.1 criteria, for GIST. Radiographic scans were also assessed by Choi criteria, a supportive method of response assessment in soft tissue sarcomas that has been shown to be predictive of improved prognosis in patients with advanced GIST.

Patients with heavily pretreated KIT-driven GIST treated at doses of 300 to 400 mg QD

- Centrally assessed radiographic tumor reductions were observed in 20 of 30 evaluable patients (67%) across all common KIT genotypes, including mutations in exons 9, 11, 13, 14 and 17, confirmed by archival tumor biopsy and circulating tumor DNA.

- By mRECIST 1.1 criteria, five patients had a PR (three confirmed, two pending confirmation), and 18 patients had SD, representing an ORR of 17% and a disease control rate, or DCR, of 77%.

- By Choi criteria, 16 patients had a PR and seven patients had SD, representing an ORR of 53% and a DCR of 77%.

- Median PFS was 11.5 months.

- In contrast, historical data showed a zero percent ORR and median PFS of 1.8 months in patients with TKI-resistant advanced GIST retreated with imatinib in a third-line or later setting.

Patients with PDGFRα-driven GIST treated at all doses

- Centrally assessed radiographic tumor reductions were observed in all 31 evaluable patients.

- By mRECIST 1.1 criteria, one patient had a CR (pending confirmation), 21 patients had a PR (18 confirmed, three pending confirmation), and nine patients had SD, representing an ORR of 71% and a DCR of 100%.

- By Choi criteria, one patient had a CR, and 30 patients had a PR, representing an ORR of 100%.

- Median PFS was not reached, and 12-month PFS was estimated to be 78%.

- In contrast, historical data showed a zero percent ORR and median PFS of 2.8 months in patients with PDGFRα D842V-driven GIST treated with imatinib.

Summary of Clinical Trial Data – Phase I EXPLORER Clinical Trial for Avapritinib (CS3007) in Advanced SM

Overview. Avapritinib is currently being evaluated by Blueprint in the dose expansion portion of a Phase I clinical trial in patients with advanced SM, which is referred to as the EXPLORER trial. The trial is designed to evaluate the activity, safety and tolerability of avapritinib in adults with advanced SM. Based on the current data, we believe avapritinib is effective in the treatment of advanced SM.

Trial Design. The EXPLORER trial consists of two parts: a dose escalation portion and an expansion portion. The dose escalation portion has been completed, and patient enrollment in the dose expansion portion of the EXPLORER trial is currently ongoing at the RP2D of 300 mg QD. The expansion portion of this trial is designed to enroll patients with specific subtypes of advanced SM in the following cohorts: (1) patients with aggressive SM (ASM), (2) patients with an associated hematological neoplasm and (3) patients with mast cell leukemia (MCL). Primary objectives for the EXPLORER trial include assessing safety and tolerability. Secondary objectives include assessing response per IWG-MRT-ECNM criteria and additional clinical outcome measures of mast cell burden, organ function and disease symptoms. The EXPLORER trial is designed to enroll approximately 60 patients, including approximately 25 patients during dose escalation and approximately 35 patients across all three expansion cohorts, at multiple sites in the United States and the European Union.

Trial Status. In June 2018, Blueprint reported updated data from the dose escalation portion of the EXPLORER trial at the 23rd Congress of the European Hematology Association (EHA) in Stockholm, Sweden. As of the data cutoff date of April 30, 2018, 52 patients had been treated with avapritinib (CS3007) in the dose escalation and expansion portions of the EXPLORER trial, including 25 patients with ASM, 15 patients with advanced SM with an associated hematologic neoplasm (SM-AHN), five patients with MCL, five patients pending central pathology diagnosis, and two patients with smoldering SM. Overall, 35 patients (67%) were previously treated, including 10 patients (19%) who previously received midostaurin. Patients in the expansion portion of the trial were treated at 300 mg once daily.

Safety Data. As of the data cutoff date, avapritinib (CS3007) was generally well-tolerated. Most AEs reported by investigators were Grade 1 or 2. Across all grades, the most common TEAEs reported by investigators (≥20 percent) included periorbital edema, anemia, fatigue, nausea, diarrhea, peripheral edema, thrombocytopenia, cognitive effects, vomiting, hair color changes and dizziness. Investigators reported treatment-related Grade ≥3 AEs in 28 patients (54%). Among all 52 enrolled patients, 42 remained on treatment as of the data cutoff date. Four patients discontinued treatment with avapritinib due to AEs (three treatment-related and one unrelated). Three patients discontinued treatment with avapritinib due to clinical progression as determined by the investigator. No patients had documented disease progression by IWG-MRT-ECNM criteria. An additional three patients discontinued treatment, including two patients due to an investigator's decision and one patient who withdrew consent.

Efficacy Data. As of the data cutoff date, 23 patients were evaluable for response by the International Working Group-Myeloproliferative Neoplasms Research and Treatment and European Competence Network on Mastocytosis, or IWG-MRT-ECNM, the IWG-MRT-ECNM criteria, a rigorous method of assessing clinical response in patients with advanced SM with regulatory precedent in the U.S. and Europe. Responses were centrally reviewed by a committee of SM experts. The results demonstrate profound and durable clinical activity and favorable tolerability. Across all 23 evaluable patients, the data showed an ORR of 83%. Four patients (17%) had a confirmed CR with a full or partial recovery of peripheral blood counts. Twelve patients (52%) had a partial response (PR) (7 confirmed, 5 pending confirmation) and three patients (13%) had clinical improvement (2 confirmed, 1 pending confirmation). The duration of response was up to 22 months, with 79% of responders on treatment as of the data cutoff date. All responses observed in the dose escalation portion of the trial have been confirmed, and all responses in the dose expansion portion of the trial are pending confirmation.

All patients evaluable on objective measures of mast cell burden showed clinically significant improvements, regardless of advanced SM subtype, previous treatment or dose level:

- 92 percent of patients had a ≥50 percent decrease in bone marrow mast cells. Among these patients, 58 percent had a CR (no neoplastic mast cells in bone marrow).

- 98 percent of patients had a ≥50 percent decrease in serum tryptase. Among these patients, 66 percent had a CR (serum tryptase level <20 μg/L).

- 95 percent of patients had a ≥35 percent decrease in spleen volume or a ≥50 percent decrease by palpation. Among these patients, 47 percent had a CR (normal spleen length).

- 88 percent of patients had ≥50 percent decrease in KIT D816V mutant allele burden.

In addition, 87 percent of patients had improvement in skin symptoms, based on investigator assessments.

Clinical Development Plan

GIST

For patients with advanced GIST patients who harbor a PDGFRα D842V mutation, we have submitted IND application to the NMPA for a China-only bridging trial to assess the PK and efficacy of avapritinib (CS3007). The data from this trial will be used for NDA submission in China.

In addition to the NAVIGATOR trial, Blueprint plans to initiate a broad pivotal program in GIST at different lines of treatment:

- In June 2018, Blueprint initiated a global, randomized Phase III clinical trial for avapritinib compared to regorafenib in third-line GIST, which is referred to as the VOYAGER trial. We obtained CTA approval from the NMPA in January 2019 to join the VOYAGER trial. We plan to use data from the study to support the NDA submission in China.

- Blueprint plans to initiate a global, randomized Phase III clinical trial for avapritinib compared to sunitinib in second-line GIST. We are considering joining the global trial and using data from this study to support NDA submission in China.

We will also consider assessing avapritinib (CS3007) in combination with CS1001 (PD-L1 antibody) or CS1003 (PD-1 antibody) in indications such as GIST.

SM

In addition to the EXPLORER study, Blueprint plans to initiate the following two studies and believes these clinical trials may support registration of avapritinib in their respective SM patient populations, based on feedback from the U.S. FDA.

- PATHFINDER, an open-label, single-arm Phase II clinical trial in patients with advanced SM. Based on the current timeline for this study, we are considering requesting a trial waiver to use foreign data from the PATHFINDER trial to obtain avapritinib's registration in China for the treatment of advanced SM.

- PIONEER, a randomized, placebo-controlled Phase II clinical trial in patients with indolent or smoldering SM. We are considering submitting a CTA application to the NMPA for the PIONEER trial and may potentially join the global study after the approval. We plan to leverage the data from the global study for NDA submission in China for indolent SM.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET AVAPRITINIB SUCCESSFULLY.

CS3009 (BLU-667)

In June 2018, we entered into an exclusive collaboration and license agreement with Blueprint concerning the development and commercialization of CS3009 (BLU-667) in Mainland China, Hong Kong SAR, Macau SAR and Taiwan, either as monotherapies or combination therapies. For details, see to "– Collaboration and Licensing Agreements."

CS3009 (BLU-667) is an orally available, potent and highly selective inhibitor designed to target rearranged during transfection (RET) fusions, mutations and resistance mutations, which is currently being evaluated by Blueprint in global clinical trials. RET drives disease in subsets of patients with NSCLC and thyroid cancer, including medullary thyroid cancer (MTC) and papillary thyroid cancer (PTC), colon cancer, breast cancer and other cancers. It is differentiated from the currently approved multi-kinase inhibitors by specifically binding to RET, which is a selected target and can minimize off-target toxicities. Blueprint is currently evaluating CS3009 (BLU-667) in an ongoing Phase I clinical trial in patients with RET-fusion NSCLC, MTC and other advanced solid tumors. The U.S. FDA has granted orphan drug designation to CS3009 (BLU-667) for the treatment of patients with RET-fusion NSCLC in April 2018. We also plan to join global studies to treat various solid tumors with RET alterations.

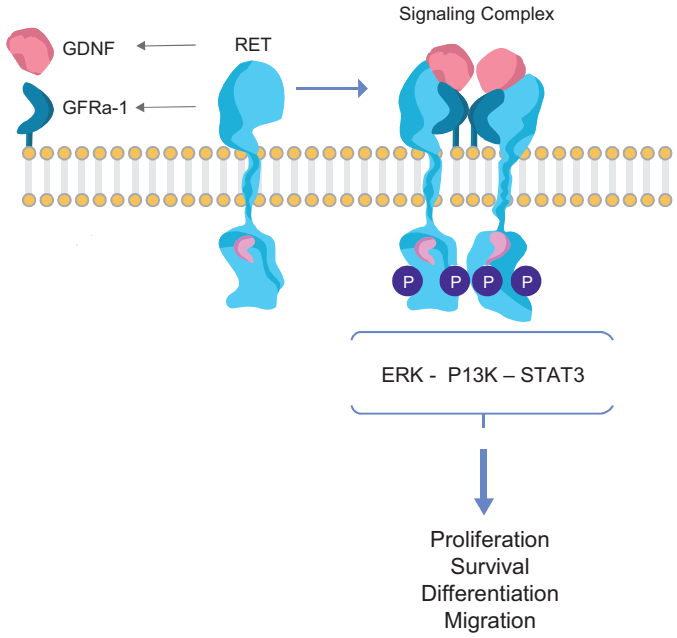
Mechanism of Action

RET is a receptor tyrosine kinase expressed in several neural, neuroendocrine and genitourinary tissues that normally require ligand and co-receptor binding for activation. Increasing evidence show aberrant activation of RET as a critical driver of tumor growth and proliferation across a broad number of solid tumors. Oncogenic activation of RET can occur by two primary mechanisms: first, chromosomal rearrangements can produce hybrid proteins that fuse the RET kinase domain with a partner protein that often contains a dimerization domain, second, mutations can directly or indirectly activate the kinase. Both mechanisms of oncogenic activation result in constitutively active, ligand-independent RET kinase activity and activation of downstream signaling pathways.

BLU-667 was designed as a potent and selective inhibitor of oncogenic RET mutant and fusion proteins. *In vitro*, BLU-667 inhibited wild-type RET (IC_{50}=0.43 nM), and the disease-driving RET V804L (IC_{50}=0.33 nM), RET V804M (IC_{50}=0.38 nM), RET M918T (IC_{50}=0.40 nM), and CCDC6-RET mutant kinases (IC_{50}=0.45 nM). BLU-667 was at least 10-fold more potent on RET in biochemical assays than the multi-kinase inhibitors

cabozantinib and vandetanib. In vivo, dose dependent antitumor efficacy with BLU-667 was demonstrated in several RET-driven models including a RET C634W mutant-driven MTC xenograft, a CCDC6-RET fusion expressing colorectal cancer patient-derived xenograft (PDX) and a KIF5B-RET-fusion driven NSCLC PDX. Antitumor efficacy was correlated with BLU-667 exposures and pharmacodynamic modulation of tumor biomarkers, including direct inhibition of RET activity.

RET Signaling Pathway



Abbreviations: GDNF = Glial cell line-derived neurotrophic, GRFα = Glial cell line-derived neurotrophic factor alpha. RET = Rearranged during transfection, ERK = Extracellular signal-related kinase, PI3K = phosphatidylinositol-3-kinase, STAT3 = Signal transducer and activator of transcription 3, DUSP6 = dual specificity phosphatase 6, SPRY4 = sprout RTK signaling antagonist 4

Note: BLU-667 inhibits oncogenic RET mutant to block tumor growth and proliferation.

Market Opportunity and Competition

According to the Frost & Sullivan Report, market size of RET inhibitors is primarily driven by the number of addressable patients with NSCLC and MTC, which was 11,300 and 3,000 in China in 2017, respectively.

A dysregulated RET signaling can act as an important driver across multiple tumor indications, which prompted the use of approved multi-kinase inhibitors (MKI) with RET inhibitory activity to treat patients whose tumors express a RET fusion protein or activation mutation. Currently, because there are no approved therapies available on the market that are designed to target RET, MKIs with RET inhibiting potential cannot be dosed at levels required to sufficiently inhibit RET due to toxicities that result from inhibition of the primary targets. For example, currently approved therapies such as vandetanib and cabozantinib, which were

originally designed to target other kinases such as VEGFR2, tyrosine-protein kinase MET, and EGFR, demonstrate lower objective response rates and duration of response in patients with RET-fusion NSCLC compared to other oncogenic drivers of NSCLC. It is also unclear whether other MKIs with potential RET activity, including sunitinib, sorafenib, alectinib, nintedanib, and ponatinib could achieve improved responses compared to cabozantinib and vandetanib. One of the greater challenges is resistance to treatment; for example, kinase reactivation evades small molecule inhibitors by mutation.

Globally, there are only two drug candidates targeting RET selectively, BLU-667 and LOXO292 by Loxo Oncology, both of which are currently undergoing clinical development outside of China. There is no marketed RET inhibitor.

Summary of Pre-clinical Data

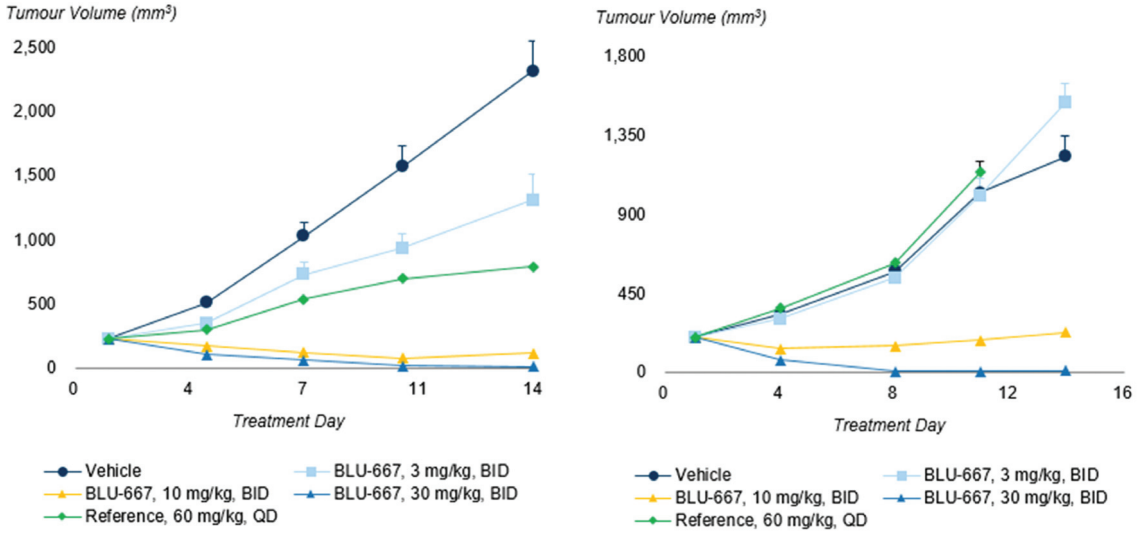
CS3009 (BLU-667) was specifically designed to target oncogenic RET fusions, activating mutations and predicted RET resistance mutations, while sparing anti-targets such as VEGFR-2. Blueprint has conducted pre-clinical experiments in biochemical and cellular assays to characterize the potency of CS3009 (BLU-667) against these targets. The inhibitory potencies of CS3009 (BLU-667) and the multi-kinase inhibitors against wild-type RET, RET resistant mutants and VEGFR2 were evaluated in *in vitro* enzyme activity assays. In a panel comparing BLU-677 with the commonly used multi-kinase inhibitors cabozantinib and vandetanib and the development candidate RXDX-105, CS3009 (BLU-667) was the only compound to demonstrate sub-nanomolar selectivity for wild-type RET and predicted resistance mutations at the gatekeeper (V804) residue. In addition, CS3009 (BLU-667) selectivity was assessed in a biochemical screen of a broad panel of over 350 kinases and demonstrated approximately 90-fold selectivity for wild-type RET over VEGFR-2.

	Biochemical IC_{50} (nM)						
	Wild-type RET	**RET V804L**	**RET V804M**	**RET M918T**	**CCCDC6-RET**	**VEGFR-2**	**IC_{50} Ratio (VEGFR-2/ RET)**
CS3009 (BLU-667)	0.4	0.3	0.4	0.4	0.4	35	88x
Cabozantinib	11	45	162	8	34	2	0.2x
Vandetanib	4	3,597	726	7	20	4	1x
RXDX-105	3	188	102	4	7	17	6x

Source: Blueprint

Blueprint has demonstrated significant anti-tumor efficacy with CS3009 (BLU-667) in both a KIF5b-RET fusion allograft (left figure below) and a KIF5b-RET (V804L) resistant mutant allograft (right figure below). Administration of CS3009 (BLU-667) orally twice daily for 14 days in a wild-type RET fusion allograft and for 14 days in a predicted RET resistant mutant allograft resulted in robust and dose-dependent tumor growth inhibition. At a dose of 30 mg/kg twice daily, a well-tolerated dose, the compound induced tumor regression in both

models. The anti-tumor efficacy of a multi-kinase inhibitor with RET inhibitory activity that is being evaluated in the clinic for treatment of patients with RET fusion positive lung cancer (reference compound) was also evaluated in these models. This reference compound dosed orally once daily at 60 mg/kg, a well-tolerated dose, inhibited tumor growth in the wild-type RET fusion allograft. At the same dose level in the RET resistant mutant allograft, this reference compound showed diminished inhibition of tumor growth.



Source: Blueprint

Summary of Clinical Trial Data

Overview. BLU-667 is currently being evaluated in the ARROW trial, a Phase I clinical trial in adults with RET-fusion NSCLC, MTC and other advanced solid tumors. This trial is designed to evaluate the MTD/RP2D, safety and tolerability of BLU-667 in multiple ascending doses. The clinical data published so far demonstrated that BLU-667 (CS3009) is effective in the treatment of certain NSCLC and MTC patients.

Trial Design. The ARROW trial consists of two parts: a dose escalation part and an expansion part. Enrollment in the dose escalation part is complete, and the dose expansion part has been initiated and is actively enrolling patients in six defined cohorts at the MTD of 400 mg QD: (1) RET-fusion NSCLC patients previously treated with a TKI, (2) RET-fusion NSCLC patients who have not previously received any TKI treatment, (3) MTC not previously treated with an MKI, (4) MTC previously treated with an MKI, (5) solid tumors with a RET alteration other than NSCLC and MTC and (6) solid tumors with a RET alteration previously treated with a selective RET tyrosine kinase inhibitor (TKI). Trial objectives include assessing ORR, duration of response (DOR), disease control rate (DCR), progression-free survival (PFS), and overall survival (OS), PK/PD and safety.

Trial Status. In October 2018, Blueprint reported updated data from the ongoing ARROW trial, which includes data of all patients enrolled in the ARROW trial as of May 9, 2018 and follow-up on these patients through the data cutoff date of September 14, 2018. As of the data cutoff date, a total of 69 patients had been treated with BLU-667 in the dose escalation and expansion parts of the trial, of which 42 had RET-altered thyroid cancer, including 37 with MTC and five with PTC. In the dose escalation portion, patients were treated at dose levels ranging from 30 mg to 600 mg QD or up to 300 mg twice daily. In the expansion portion, patients were treated at the RP2D of 400 mg QD.

Safety Data. The reported data showed that across 69 patients, BLU-667 was generally well-tolerated as of the data cutoff date. The maximum tolerated dose (MTD) for BLU-667 was determined to be 400 mg QD using a Bayesian optimal interval design. At QD dose levels up to and including the MTD, most AEs were Grade 1, and only two patients discontinued therapy due to a treatment-related AE (Grade 3 increased alanine aminotransferase in a patient with liver metastases and Grade 2 pneumonitis). TEAE (regardless of relationship to BLU-667) reported by investigators (≥15%) most commonly were constipation (35%), increased aspartate aminotransferase (33%), anemia (30%), hypertension (30%), decreased white blood cell count (29%), diarrhea (28%), neutropenia (28%), increased alanine aminotransferase (25%), increased blood creatinine (23%), fatigue (19%) and headache (17%). Grade 3 or higher TEAEs occurring in two or more patients included anemia, hypertension, decreased white blood cell count, diarrhea and neutropenia.

Efficacy Data. As of the data cutoff date, 35 patients with RET-fusion MTC and four patients with RET-fusion PTC were evaluable for response assessment by RECIST version 1.1. Overall, 90% of MTC and PTC patients with measurable target lesions had radiographic tumor reductions.

In patients with MTC, response assessments showed increased clinical activity with higher dose levels and longer treatment durations. Across all evaluable MTC patients, the ORR was 49%, including one patient with a confirmed CR and 16 patients with a PR (two pending confirmation). In patients with MTC treated with 300 to 400 mg QD for at least 24 weeks, the response rate was 62%, including one patient with a confirmed CR and seven patients with a confirmed PR.

In patients with PTC, two of four evaluable patients had a confirmed PR, and all evaluable patients with PTC had radiographic tumor shrinkage.

The data also showed encouraging evidence of durable activity. All patients with MTC and PTC who responded to BLU-667 remain on treatment as of the data cutoff date. In addition, all patients treated at 400 mg QD are continuing on therapy. Patients with the longest treatment durations remain on therapy for more than 15 months.

Anti-tumor activity was observed regardless of prior MKI therapy or RET alteration. Similar response rates were observed in MTC patients who were MKI-experienced (47%; 8/17 patients) and MKI-naïve (50%; 9/18 patients). In addition, clinical responses were observed in patients with common activating mutations in MTC (e.g., M918T) and fusion partners in PTC (e.g., NCO4A and CCDC6). A clinical response was also observed in the one evaluable MTC patient with a germline V804M gatekeeper mutation.

Clinical Development Plan

Blueprint is currently evaluating CS3009 in an ongoing Phase I clinical trial with dose expansion cohorts in patients with RET-fusion NSCLC, MTC and other advanced solid tumors. We plan to join the dose expansion portion of this global Phase I trial and generate PK, safety and efficacy data for NDA submission in China. We have submitted CTAs for this trial to the NMPA in December 2018.

We are considering joining two global studies of CS3009 for different lines of treatment for RET-fusion NSCLC, MTC, respectively, to generate data for NDA submission in China. We will also consider evaluating CS3009 for the treatment of patients with other RET-altered tumors.

We may explore the possibility of developing CS3009 in combination with CS1001 (PD-L1 antibody) or CS1003 in indications such as NSCLC.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS3009 SUCCESSFULLY.

CS3008 (BLU-554)

In June 2018, we entered into an exclusive collaboration and license agreement with Blueprint concerning the development and commercialization of CS3008 (BLU-554) in Mainland China, Hong Kong SAR, Macau SAR and Taiwan, either as monotherapies or combination therapies. For details, see "– Collaboration and Licensing Agreements."

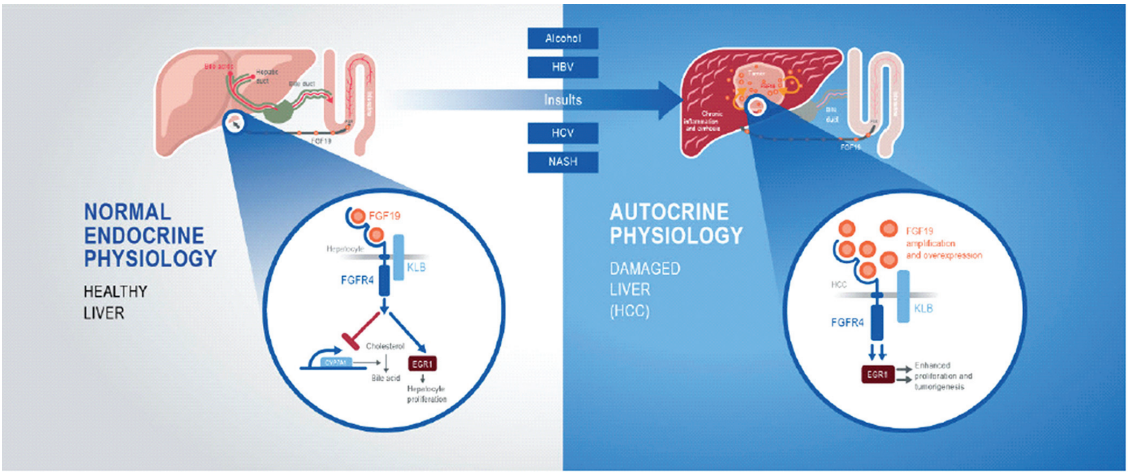
CS3008 (BLU-554) is an orally available, potent, selective and irreversible inhibitor of FGFR4 that is currently being evaluated in clinical trials globally as a monotherapy for the treatment of HCC. CS3008 (BLU-554) is designed to bind to and block downstream activity of FGFR4, a cell surface receptor that plays an important role in activation of intracellular cell signaling pathways that regulate cell functions, such as proliferation and migration. It is differentiated from the current approved pan-FGFR inhibitors by potently and specifically inhibiting FGFR4, which we believe may minimize potentially unexpected interaction with other FGFRs based on pre-clinical data. There are approximately 20% of patients with HCC who have overexpressed FGF19, the ligand of FGFR4. Blueprint is currently evaluating CS3008 (BLU-554) in an ongoing Phase I clinical trial in patients with advanced HCC. We obtained CTA approval for CS3008 (BLU-554) from the NMPA in January 2019 to join the dose expansion portion of the study. The U.S. FDA has granted orphan drug designation to CS3008 (BLU-554) in September 2015. We plan to develop CS3008 (BLU-554) for the treatment of HCC patients in China as a monotherapy and in combination with CS1001.

Mechanism of Action

FGFR4 belongs to a family of highly homologous receptors, which includes FGFR1-4. The physiologic role of the receptor, FGFR4, and its ligand, FGF19, is to regulate bile acid metabolism in hepatocytes and liver regeneration following injury. FGF19 is normally produced in the small intestine and signals to hepatocytes through an endocrine mechanism. FGF19 forms an active signaling complex together with FGFR4 and its co-receptor Klotho-β. Signaling of the active complex leads to decreased CYP7A1 transcription with a resultant decrease in bile acid synthesis, as well as increased growth, proliferation and survival signals.

Aberrant activation of FGFR4 signaling is a driver in a subset of HCC patients. In these patients, FGF19 is overexpressed in hepatocytes (which do not normally express FGF19), leading to autocrine signaling and tumor growth. Blueprint estimates that approximately 30% of patients with HCC have tumors with aberrantly activated FGFR4 signaling, which is referred to as FGFR4-activated HCC. CS3008 (BLU-554) targets FGFR4, while sparing the other three FGFR paralogs, and demonstrates exquisite kinome selectivity.

The diagram below illustrates FGFR4 signaling in the healthy liver and FGFR4-driven HCC patients:



Source: Blueprint.

Note: Normal FGFR4 signaling regulate bile acid metabolism in hepatocytes and liver regeneration following injury, whereas aberrant activation of FGFR4 signaling in cancer patients leads to tumor growth. CS3008 specifically targets FGFR4 signaling and inhibits tumor growth.

HBV means hepatitis B virus, HCV means hepatitis C virus, NASH means non-alcoholic steatohepatitis and KLB means Klotho-β.

Market Opportunity and Competition

Liver cancer is the second leading cause of cancer-related deaths worldwide, and HCC accounts for 80% of all liver cancers according to the Frost & Sullivan Report. Over the past two decades, the incidence of HCC has tripled while the five-year survival rate has remained below 12% in China. Risk factors for HCC include hepatitis B and C, alcohol, and obesity. In China, HCC has been very prevalent due to hepatitis B being endemic in parts of the country, with 55% of all HCC cases worldwide reported from China. Incidence of HCC in China has grown from 396,200 in 2013 to 440,200 in 2017, representing a CAGR of 2.7%. Incidence of HCC in China is projected to continue to grow over the next 12 years, with estimated new cases reaching 498,200 thousand by 2022 and 613,500 thousand by 2030. According to the Frost & Sullivan Report, the number of addressable HCC patients in China in 2017 with FGFR-4 inhibitors is approximately 53,100.

Despite advances in the treatment of HCC, including recent approval of nivolumab and prior approvals of the multi-kinase inhibitors sorafenib and regorafenib, the prognosis for patients with advanced HCC remains poor and there is a significant unmet need for new treatments for HCC, including FGFR4-driven HCC. CS3008 (BLU-554) is currently in the dose expansion portion of Phase I clinical trial in patients with advanced HCC, and we received CTA approval of CS3008 (BLU-554) from the NMPA in January 2019 to join the dose expansion portion of the study. Patients diagnosed at an early stage receive potentially curative transplant, resection or ablative therapies. Treatments for intermediate to advanced stage patients include high-dose chemotherapy delivered directly to the liver (transarterial chemoembolization), sorafenib, nivolumab and regorafenib. Sorafenib, which is approved as a first-line treatment for advanced HCC, is a multi-kinase inhibitor that targets VEGFR and many other kinases and exhibits anti-angiogenic effects. In a pivotal trial (SHARP) conducted primarily at European Union and U.S. sites, sorafenib improved median overall survival by approximately three months, while 2% of patients responded. Similar results were found from ORIENTAL study conducted in Asian sites for Sorafenib. Nivolumab is an immune checkpoint inhibitor targeting PD-1, which received accelerated approval from the U.S. FDA in September 2017 for second-line advanced HCC based on data from a pivotal clinical trial showing a 14% object response rate in patients who progressed on or were intolerant to sorafenib. Regorafenib is approved as a second-line treatment for advanced HCC based on data from a pivotal trial showing improved median overall survival of 2.8 months and an 11% ORR in patients with documented progression disease following sorafenib.

In clinical practice, patients often require dose modifications or discontinue therapy with sorafenib and regorafenib due to tolerability issues. There is a clear need for medical therapies with a favorable risk-benefit profile and the potential to be used alone or in combination with other approved or emerging therapies for advanced HCC. The FGFR4 signaling pathway is a promising new driver for the development of molecularly targeted therapy in HCC. Globally, there are currently no marketed FGFR4 inhibitors; however, some FGFR4 inhibitor drug candidates are undergoing clinical development. According to the Frost & Sullivan Report, the China FGFR4 inhibitor market is expected to increase from RMB94.4 million in 2024 to RMB3,413.2 million in 2030 at a CAGR of 81.8%.

The table below summarises the competitive landscape of CS3008 (BLU-554) in China.

Generic Name	Drug Code	Company	China Filing Status	Mechanism of Action	Proposed Indications	Date*
CS3008/BLU-554		**CStone**	**Pre-clinical**	**Anti-FGFR4**	**HCC**	**–**
FGF-401		Novartis	Phase I/II (Terminated)	Anti-FGFR4	HCC	2017/2/21
ICP-105		Innocare	Phase I	Anti-FGFR4	Solid tumors	2018/8/24

Source: Frost & Sullivan Analysis

* refers to the date when the information about clinical trials is published for the first time (首次公示日期); for a product that has not begun clinical trials, it refers to IND approval date.

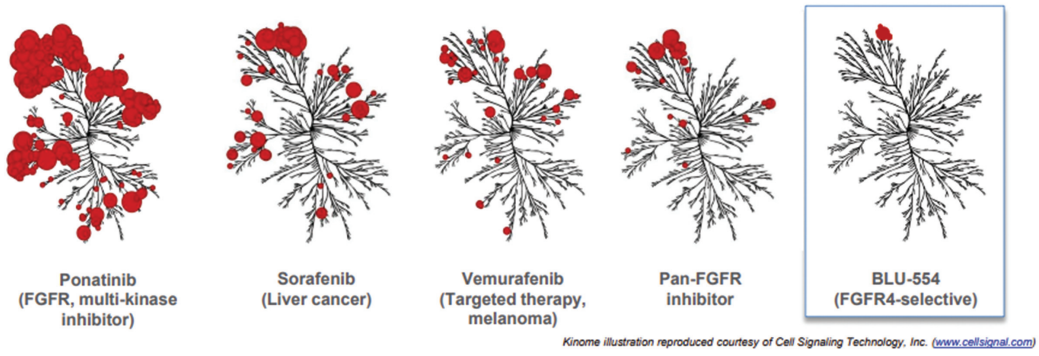
Summary of Pre-clinical Data

Blueprint has conducted comprehensive *in vitro* experiments to characterize the potency and selectivity of CS3008 (BLU-554). CS3008 (BLU-554) potently inhibits FGFR4 enzyme activity (IC_{50} = 5 nM) and inhibits the activity of FGFR1-3 at least 100-fold less potently (IC_{50} ≥ 600 nM). In contrast, pan-FGFR inhibitors such as BGJ-398 fail to exhibit paralog specificity. The inhibitory potency of CS3008 (BLU-554) and BGJ-398 against each of the FGFR paralogs was evaluated in an *in vitro* enzyme activity assay and the results are illustrated in the chart below. CS3008 (BLU-554) displayed significant binding (greater than 90% inhibition relative to control) only to FGFR4 in this assay. In contrast, BGJ-398 significantly bound to 14 kinases (greater than 90% inhibition relative to control).

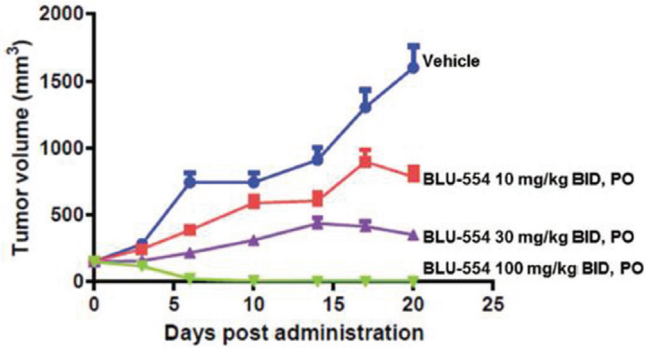
	Paralog Selectivity	
FGFR4 Paralog	**CS3008 (BLU-554)**	**BGJ-398**
FGFR4 IC_{50} (nM)	5	26
FGFR1 IC_{50} (nM)	624	<1
FGFR2 IC_{50} (nM)	1,202	<1
FGFR3 IC_{50} (nM)	2,203	<1

Source: Blueprint

The selectivity of CS3008 (BLU-554) was further evaluated by profiling CS3008 (BLU-554) at a concentration of 3 μM across a panel of over 450 kinases and disease relevant kinase mutants using KINOME scan methodology. As illustrated by the dendrogram below, CS3008 (BLU-554) demonstrates better selectivity as compared to its comparable drug candidates. Each branch of the dendrogram represents an individual human kinase. Kinases bound by the compound are indicated by red circles on the kinome tree. The degree of binding corresponds to the size of the circle. *Kinome illustration reproduced courtesy of Cell Signaling Technology, Inc., or CSTI (www.cellsignal.com). The foregoing website is maintained by CSTI, and we are not responsible for its content.*

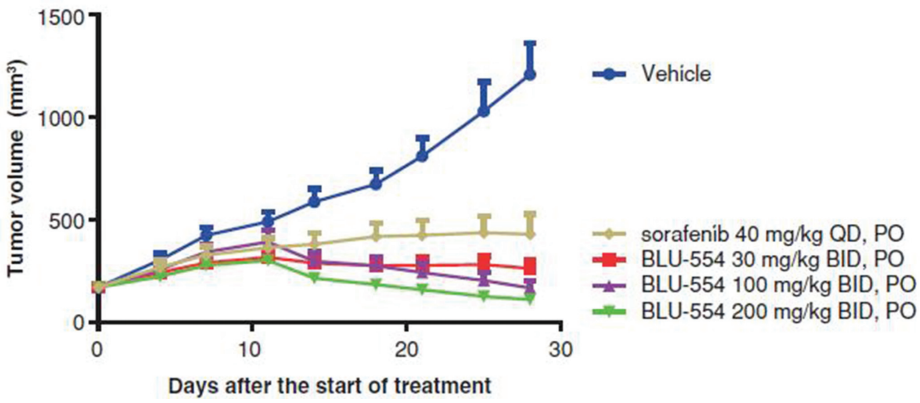


Blueprint demonstrated significant in vivo anti-tumor efficacy with CS3008 (BLU-554) in two HCC xenograft models where tumor growth is driven by FGFR4 signaling. Blueprint has evaluated the anti-tumor efficacy of CS3008 (BLU-554) in the Hep3B tumor xenograft mouse model. At a dose of 100 mg/kg BID, a well-tolerated dose, CS3008 (BLU-554) induced CR in a subset of mice for at least 30 days after cessation of treatment. Blueprint observed a correlation between the concentration of CS3008 (BLU-554) in mouse plasma and the level of expression of CYP7A1, a downstream biomarker, in the tumor. At the 100 mg/kg BID dose, significant induction of CYP7A1 expression was seen, which is an expected consequence of inhibiting FGFR4 signaling. This correlation between CS3008 (BLU-554) plasma concentration, the level of induction of CYP7A1 expression and anti-tumor efficacy supports that the observed anti-tumor response is due to inhibition of FGFR4 signaling.



Source: Blueprint

Blueprint has also evaluated the anti-tumor efficacy of CS3008 (BLU-554) in a patient-derived xenograft model driven by FGF19 overexpression in the absence of amplification. Treatment with CS3008 (BLU-554) led to dose-dependent inhibition on tumor growth. The anti-tumor efficacy of sorafenib, the only approved systemic treatment for advanced HCC, was also evaluated in this study. Sorafenib dosed once daily at 40 mg/kg, a dose that led to body weight loss in the mice, had only a modest effect on tumor growth.



Source: Blueprint

Summary of Clinical Trial Data

Overview. BLU-554 (CS3008) is currently being evaluated by Blueprint in the dose expansion portion of a Phase I clinical trial in patients with advanced HCC. We have evaluated the preliminary data of the trial and believe that BLU-554 (CS3008) is a potentially effective drug for the treatment of certain HCC patients.

Trial Design. This Phase I clinical trial is designed to evaluate the safety and tolerability of CS3008 (BLU-554) in adults with advanced HCC. The trial consists of two parts: a dose escalation portion and an expansion portion. The dose escalation portion has been completed, and patient enrollment in the dose expansion portion is currently ongoing at the MTD of 600 mg QD. The expansion portion of the trial is designed to enroll patients in the following cohorts: (1) three subsets of patients with HCC, regardless of prior therapy, and (2) patients with FGFR4-activated HCC who have not been previously treated with a TKI, which we refer to as the TKI-naïve cohort. The primary objective of the expansion portion of the Phase I clinical trial is to continue to evaluate the safety and tolerability of CS3008 (BLU-554). Secondary objectives include assessing clinical activity by RECIST version 1.1, as well as evaluating the PK of CS3008 (BLU-554) and pharmacodynamic markers of CS3008 (BLU-554) activity. The Phase I clinical trial is designed to enroll approximately 150 patients, including approximately 40 patients during dose escalation and approximately 110 patients across both expansion cohorts, at multiple sites in the United States, the European Union and Asia.

Trial Status. In October 2017, Blueprint presented updated data from this ongoing clinical trial at the European Society of Medical Oncology 2017 Congress. As of the data cutoff of August 18, 2017, 77 patients had been treated with CS3008 (BLU-554) in the dose escalation and expansion portions of the Phase I clinical trial at five dose levels (ranging from 140 mg QD to 900 mg QD), including 44 patients with FGFR4-activated HCC. FGFR4-activated HCC was defined as at least one percent tumor expression of FGF19, the FGFR4 ligand, as measured by an immunohistochemistry, or IHC, assay. In general, the enrolled population was heavily pretreated: 82% received prior TKI treatment, 23% received prior immunotherapy and 91% received prior systemic therapy. PK analysis demonstrated rapid oral absorption across all dose levels, with a mean half-life of approximately 17 hours and exposure in the expected therapeutic range based on HCC xenograft models. Collectively, these data support a once-daily dosing regimen.

Safety Data. As of the data cutoff of August 18, 2017, the majority of AEs reported by investigators were Grade 1 or 2. Across all grades, the most common AEs reported by investigators related to CS3008 (BLU-554) included diarrhea (71%), nausea (42%), vomiting (36%), transaminase elevation (AST 34% and ALT 32%) and fatigue (29%). Grade 3 or higher AEs related to CS3008 (BLU-554) occurring in five or more patients included anemia, diarrhea and transaminase elevation (AST and ALT). Among all 77 patients treated with CS3008 (BLU-554), 58 patients discontinued treatment with CS3008 (BLU-554), including 42 patients due to disease progression, 11 patients due to treatment-related AEs, three patients who withdrew consent and two patients due to the investigator's decision.

Efficacy Data. As of the data cutoff of August 18, 2017, 67 patients were evaluable for response assessment. An additional 10 patients were treated with CS3008 (BLU-554) as of the data cutoff date but were not evaluable for response assessment. Response was assessed using the Response Evaluation Criteria In Solid Tumors (RECIST), version 1.1.

In patients with FGFR4-activated HCC (n=38), the data showed an ORR of 16% (95% CI, 6-31%). In addition, 49% of patients had radiographic tumor reduction, and clinical activity was observed regardless of disease etiology or geography. As of the data cutoff date:

- One patient had an unconfirmed CR.
- Five patients had a PR, with four confirmed and one unconfirmed.
- An additional 20 patients had stable disease, representing a disease control rate of 68%.
- No responses were observed in patients without FGFR4 pathway activation (n=29).

Among all 77 patients treated with CS3008 (BLU-554), 19 remained on treatment as of the data cutoff date, including 15 patients with FGFR4-activated HCC. Median PFS was 3.7 months among patients with FGFR4-activated HCC. In addition, five TKI-naïve patients with FGFR4-activated HCC were evaluable for response assessment as of the data cutoff date. Within this group, preliminary evidence of prolonged disease control was observed. Two TKI-naïve patients remain on treatment as of the data cutoff date with a duration of treatment of 11.4 months and 12.3 months, respectively.

Clinical Development Plan

Monotherapy. Blueprint is evaluating CS3008 (BLU-554) in the dose expansion portion of the global Phase I clinical trial in TKI-naïve HCC patients with FGF19 overexpression. We received CTA approval of CS3008 from the NMPA in December 2018 and will join the study. We also consider joining a planned pivotal global trial for the same indication, if the results generated from this Phase I clinical trial are positive.

Combination therapy. To evaluate the efficacy of CS3008 in combination with CS1001 (PD-L1 antibody) in HCC, we plan to conduct a Phase I trial in China in the second half of 2019 and we have submitted IND applications for this trial to the NMPA in February 2019. If the data from this trial are positive, we plan to conduct a Phase III clinical trial in patients with HCC in 2021.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS3008 SUCCESSFULLY.

CS1002 (CTLA-4 antibody)

CS1002 is an investigational, fully-human monoclonal antibody drug candidate against CTLA-4 that is currently being evaluated in clinical trials for treatment of a variety of cancers as a single agent and in combination with anti-PD-1 monoclonal antibody CS1003 (PD-1 antibody). CS1002 has the same amino acid sequence as ipilimumab. Ipilimumab (Yervoy®) has not been approved for marketing in China and we plan to develop CS1002 under novel drug pathway (biologics category 2) according to the NMPA regulations. Based on pre-clinical experiments showing that CS1002 has high affinity for CTLA-4, we believe that CS1002 may match the clinical activity and safety profile of ipilimumab (Yervoy®). We plan to develop CS1002 mainly in combination with immune checkpoint inhibitors and other therapies.

Mechanism of Action

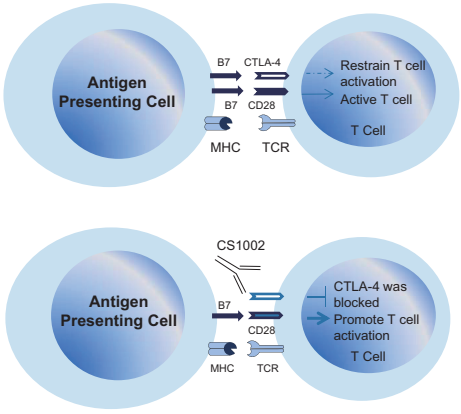
CTLA-4 is a receptor expressed on the surface of activated T-lymphocytes and is homologous to the T cell co-stimulatory protein, CD28. The natural ligands for the CTLA-4 and CD28 are two glycoproteins, CD80 and CD86, which are found on the surface of antigen presenting cells. CTLA-4 binds CD80 and CD86 with approximately 20-fold greater affinity than CD28, enabling it to outcompete CD28. Binding of CD80 and CD86 to CTLA-4 results in the delivery of an inhibitory signal to the activated T-lymphocyte, whereas binding to CD28 transmits a stimulatory signal. Inhibition resulted from binding to CTLA-4 serves to limit the proliferative response of activated T cells to an antigen, including cancer cells.

CS1002 (CTLA-4 antibody) binds to CTLA-4 and blocks the interaction of CTLA-4 with its ligands, CD80/CD86. Blockade of CTLA-4 has been shown to augment T cell activation and proliferation, including the activation and proliferation of tumor infiltrating T-effector cells. Inhibition of CTLA-4 signaling can also reduce T-regulatory cell (Treg) function, which may contribute to a general increase in T cell responsiveness, including the anti-tumor response. Binding of CS1002 to CTLA-4 results in blockage of the inhibitory signal, and therefore enhances T cell response to tumor antigens. CD28 will be dominated after CTLA-4 blocked, so that more stimulatory signals can be transmitted; which results in enhanced T cell activity.

The diagram below illustrates the mechanism of action of CS1002:

Mechanism of Action of Anti-CTLA-4

- CTLA-4 is a kind of protein receptor that highly expressed by the activated T cell, but inhibit bioactivity of cytotoxic T lymphocytes. Yervoy (ipilimumab), owned by Bristol-Myers Squibb, is the only one marketed anti-CTLA-4 drug, targeting to treat melanoma, however, it has not been approved in China.



- CTLA-4, as a transmembrane surface protein, is a negative regulator of T cell immune function.
- CTLA-4 binds to its target antigen B7-1/2 specifically on antigen presenting cells or tumor cells. It is homologous to the T cell co-stimulatory protein, CD28; however, CTLA-4 has greater binding affinity than CD28, transmitting inhibitory signal to T cells.
- Cytotoxic T cell is a natural cancer killer and has ability to destroy tumor cells, but an inhibitory mechanism induced by CTLA-4 has down-regulated this progress.
- Anti-CTLA-4 antibody is able to bind to CTLA-4 to block the inhibitory signal through competitive inhibition. CD28 will be dominated after CTLA-4 function is blocked, so that more stimulatory signal can be transmitted, resulting in enhanced T cell activity.

Source: Frost & Sullivan Analysis.

Note: CS1002 binds to CTLA-4 to enhance T cell activity to attack tumor cells.

Market Opportunity and Competition

Yervoy® is the only marketed anti-CTLA-4 drug targeting cancer. Yervoy® was approved as a monotherapy and as part of the combination therapy in melanoma and the combination therapy in renal cell carcinoma in the United States. It has not been approved in China. From 2012 to 2017, sales revenue of Yervoy® has increased from US$706 million to US$1,244 million. CTLA-4 is an important pathway for a number of tumor types. BMS is conducting numerous clinical trials of Yervoy® in the United States both as a monotherapy and in combination with other therapies such as nivolumab.

According to the Frost & Sullivan Report, the number of CTLA-4 responsive tumor incidences in 2017 in China is 1.1 million. Melanoma is mainly caused by intense ultraviolet light exposure and is less prevalent in China than in North America or Europe. According to the Frost & Sullivan Report, from 2013 to 2017, the number of melanoma patients in China increased from 7,500 to 8,500, and is expected to increase to 9,600 in 2022 and 12,100 in 2030.

Besides CS1002 (CTLA-4 antibody), there are three other anti-CTLA-4 drug candidates in clinical development in China. The table below sets forth the information of the foregoing anti-CTLA-4 drug candidates in clinical development in China:

Product	Sponsor	Indication	Phase	Date of First Disclosure of Information about Clinical Trials*
Ipilimumab (Yervoy®)	BMS	Melanoma, SCLC, RCC	III	2012/2/21
Tremelimumab	AstraZeneca	NSCLC, SCLC, UCC	III	2016/8/25
IBI310	Innovent	Melanoma	I	2018/1/17

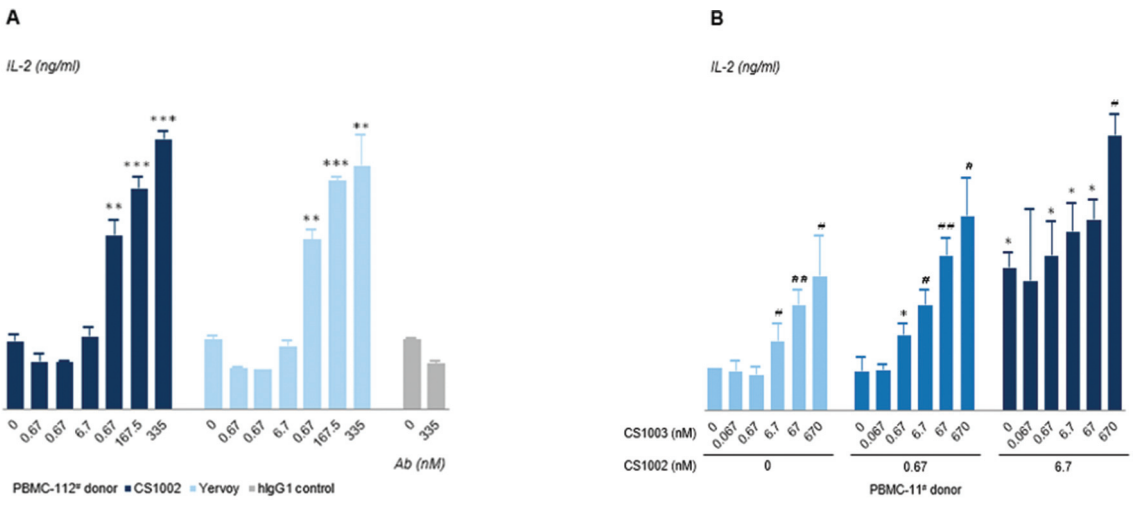
Source: Frost & Sullivan Analysis

* refers to the date when the information about clinical trials is published for the first time.

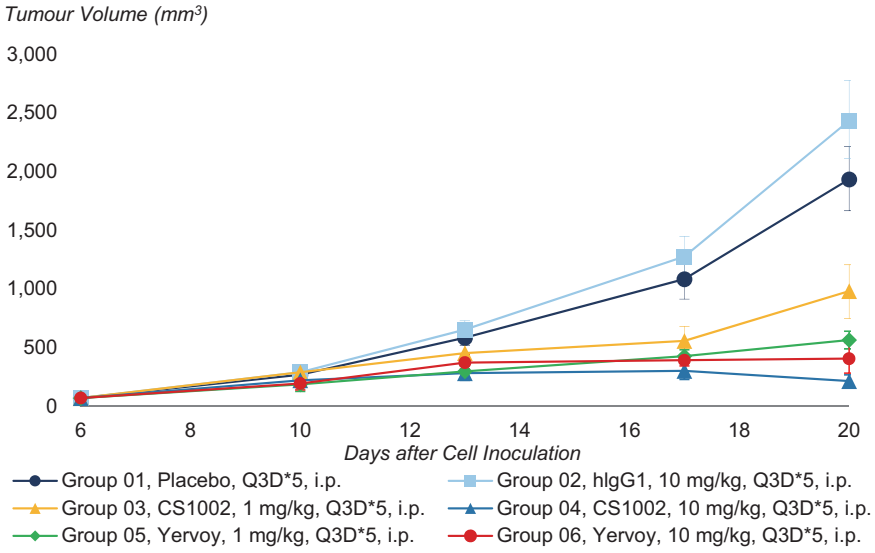
Summary of Pre-clinical Data

We investigated the *in vitro* efficacy of CS1002 (CTLA-4 antibody) alone and the combinational effect of CS1002 and CS1003 (PD-1 antibody) on superantigen (SEB)-stimulated PBMC activation and allogeneic mixed lymphocyte reaction (MLR). In addition, the *in vitro* efficacy of CS1002 and Yervoy® as a single agent were compared head to head in these two studies.

The results of SEB-stimulated PBMC activation assays are shown in the figures below. The results indicate that both CS1002 and Yervoy® as single agent induced significant increase in hIL-2 production (Figure A). Figure B shows the effect of CS1002 (0.67 and 6.7 nM) in combination with various concentrations of CS1003 on cytokine production in SEB-stimulated PBMC activation assays compared to the monotherapy of CS1003 or CS1002. hIL-2 production were significantly elevated by the combination of the two antibodies when compared to either CS1002 or CS1003 mono-treatment (Figure B).



We also evaluated the in vivo efficacy of CS1002 (CTLA-4 antibody) as a single agent compared to Yervoy® in the treatment of the subcutaneous mouse colon cancer MC38 tumors in HuGEMM mice expressing human (exon-2 and exon-3)/mouse (exon-1 and exon-4) chimeric CTLA-4. As shown in the figure below, CS1002 demonstrated significant anti-tumor activities at both 1 mg/kg and 10 mg/kg dose levels in this GEMM model with subcutaneous mouse colon cancer MC38 tumors. Furthermore, CS1002 demonstrated comparable efficacy as Yervoy® at the same dose levels.



Summary of Clinical Results

The first-in-human, open-label, multiple-dose, dose-escalation Phase I study of CS1002 (CTLA-4 antibody) was initiated in Australia in May 2018. The study follows a modified "3+3" dose escalation scheme and is designed to evaluate the safety, tolerability, pharmacokinetics (PK) and anti-tumor activity of CS1002 in patients with advanced tumors. Three dose levels are planned: 1, 3, 10 mg/kg, once every three weeks (Q3W), and three to six subjects will be enrolled in each cohort. As of June 24, 2018, four advanced cancer patients were treated with CS1002 intravenously Q3W at 1 mg/kg. The recruitment for the cohort of 1 mg/kg has been completed and CS1002 appears to be well tolerated at 1 mg/kg without dose limiting toxicity (DLT) and serious adverse events (SAE). The study is currently ongoing to further evaluate the safety, PK and preliminary efficacy of CS1002 in patients with advanced tumors.

Clinical Development Plan

We are currently evaluating CS1002 (CTLA-4 antibody) as monotherapy in the dose escalation part of a Phase I clinical trial in patients with advanced solid tumors in Australia to evaluate the safety and anti-tumor effect. We plan to initiate the dose escalation part of the Phase I clinical trial to evaluate the safety and anti-tumor effect of CS1002 in combination with CS1003 in Australia in the second half of 2019.

We received IND approval for CS1002 from the NMPA in August 2018. We plan to initiate a Phase I clinical trial for the same indications in China in 2019. If the data generated by this Phase I trial are positive, we plan to further develop CS1002 mainly in combination with other IO therapies, such as CS1003, for the treatment of various cancers in China and globally.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS1002 SUCCESSFULLY.

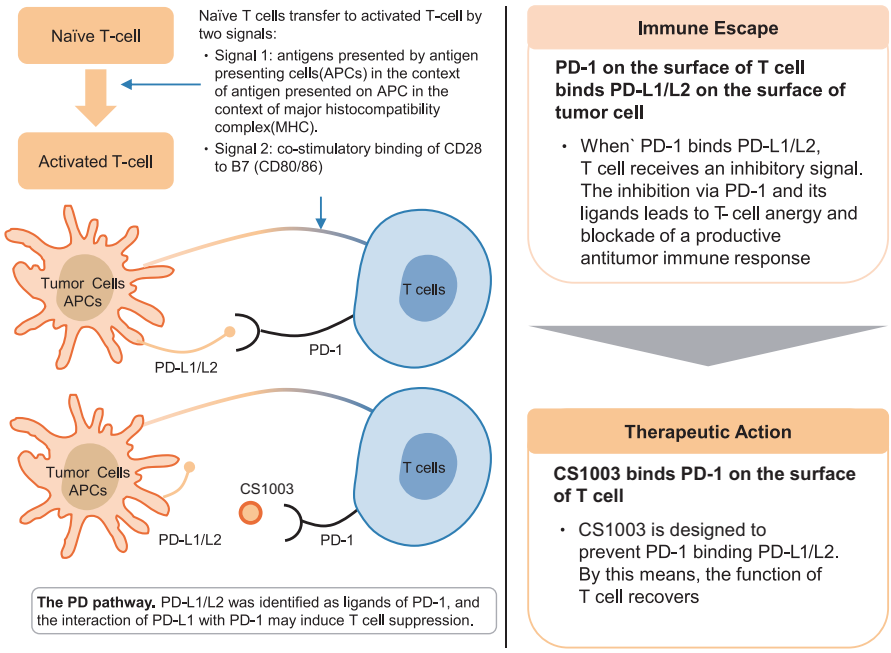
CS1003 (PD-1 antibody)

CS1003 is a humanized, recombinant IgG4 monoclonal antibody against human Programmed Cell Death Protein 1 (PD-1) for the immunotherapy of various tumor. Most monoclonal antibodies against PD-1, either approved or being tested in clinical trials, bind human and/or monkey PD-1. CS1003 is capable of binding both human and murine PD-1, which provides a unique competitive advantage during efficacy testing in syngeneic mouse tumor models. It enables us to quickly assess combination therapies in pre-clinical animal studies and better predict the safety and efficacy profile in clinical trials. We are also developing CS1003 as a monotherapy and in combination with other therapies to treat solid tumors or lymphomas.

Mechanism of Action

Under normal physiological conditions, the immune system responds to antigens by promoting the proliferation of antigen-specific T cells. T cells express PD-1 receptor on its surface. The binding of PD-L1 expressed on the surface of normal cells to PD-1 on the surface of T cells can transduce inhibitory signals to reduce the proliferation of T cells and prevent the T cells from attacking normal cells, enabling the body to resume its natural immune balance after the pathogens are removed. However, within the tumor microenvironment, many types of tumor cells up-regulate PD-L1 expression levels, which bind to PD-1 on the surface of T cells and allow tumor cells to "escape" the recognition and attack by the T cells. CS1003 (PD-1 antibody) is a monoclonal antibody designed to specifically bind to PD-1, thereby blocking engagement of PD-1 by its ligands PD-L1 and PD-L2 and restoring the ability of T cells to kill tumor cells.

The diagram below illustrates the mechanism of action of CS1003:



Source: Frost & Sullivan Analysis

Note: CS1003 prevents binding of PD-1 to PD-L1 and thereby restores the ability of T-cells to attack tumor cells.

Market Opportunity and Competition

There is significant market potential in China for PD-1 or PD-L1 antibody drugs according to Frost & Sullivan. Currently available clinical data suggest that some of the most prevalent cancers in China, such as lung, stomach, liver, esophageal and colorectal cancers, are responsive to the PD-1/PD-L1 class of drugs. Together with other cancer types (such as bladder, melanoma and kidney cancers), the overall annual incidence of cancers that are potentially responsive to the PD1-/PD-L1 antibodies in China was approximately 3.4 million in 2017.

According to the Frost & Sullivan Report, in China there are only two approved PD-1 antibodies, Bristol-Myers Squibb's (BMS) Opdivo (nivolumab) and MSD's Keytruda (pembrolizumab). Opdivo (nivolumab) was approved by the NMPA on June 15, 2018 for the treatment of locally advanced or metastatic NSCLC after prior platinum-based chemotherapy in adult patients without EGFR or ALK mutation, and Keytruda was approved by the NMPA on July 26, 2018 for the treatment of adult patients with unresectable or metastatic melanoma following failure of one prior line of therapy. According to the Frost & Sullivan Report, the worldwide sales for Opdivo (nivolumab) and Keytruda (pembrolizumab) in 2017 were US$5.8 billion and US$3.8 billion, respectively. The two PD-1 antibodies (Keytruda and Opdivo) and the three PD-L1 antibodies (Tecentriq, Bavencio and Imfinzi) approved by the U.S. FDA had worldwide sales of US$10.1 billion in the aggregate in 2017 with a CAGR of 412.2% from 2014 to 2017. According to Frost & Sullivan, the global market sales revenue will continue to

rise in the next ten years, reaching US$78.9 billion in 2030. On September 29, 2018, the U.S. FDA approved a third PD-1 antibody, Libtayo (cemiplimab-rwlc), for the treatment of patients with metastatic cutaneous squamous cell carcinoma (CSCC) or locally advanced CSCC who are not candidates for curative surgery or curative radiation.

The NMPA released guidance in February 2018 on the requirements for NDA submissions of PD-1/PD-L1 drug candidates, specifically for data from single-arm trials on refractory/recurrent advanced cancers without standard-of-care therapies. A pre-NDA meeting is required before the NDA submission, and a rolling NDA submission will be accepted for PD1-/PD-L1 therapies.

As of January 2019, there were four approved PD-1 inhibitors including BMS's Opdivo (nivolumab), MSD's Keytruda (pembrolizumab), Junshi's JS-001 (toripalimab) and Innovent's Tyvyt (sintilimab) and two NDAs submitted in China for PD-1 inhibitors, including BeiGene's BGB-A317 (tislelizumab) and Hengrui's SHR-1210 (camrelizumab). According to the Frost & Sullivan Report, China's PD-1/PD-L1 inhibitor market is expected to increase from RMB1.2 billion in 2019 to RMB37.4 billion in 2022 at a CAGR of 216.7% and further to RMB98.4 billion in 2030 at a CAGR of 12.8% from 2022.

The table below summarizes the competitive landscape of PD-1 antibodies in China:

Product	Company	Lead Indications	NMPA Filing Status	NDA Submission	NDA Approval
Nivolumab OPDIVO®	BMS	2L NSCLC	Approved	November 1, 2017	June 15, 2018
Pembrolizumab KEYTRUDA®	MSD	melanoma	Approved	February 11, 2018	July 26, 2018
Toripalimab (JS001)	Junshi	melanoma	Approved	March 20, 2018	December 17, 2018
Sintilimab Tyvyt®	Innovent	cHL	Approved	April 19, 2018	December 27, 2018
Camrelizumab (SHR-1210)	Hengrui	cHL	NDA review	April 23, 2018	NA
Tislelizumab (BGB-A317)	BeiGene	cHL	NDA submission in 2018 for the treatment of cHL	September 6, 2018	NA

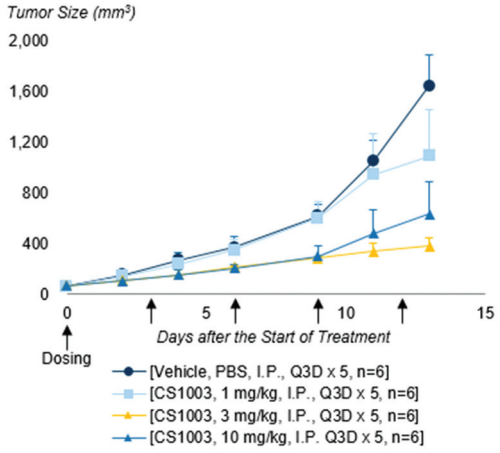
Source: Frost & Sullivan Analysis

None of nivolumab, pembrolizumab, toripalimab or sintilimab is currently included in the NRDL or PRDL.

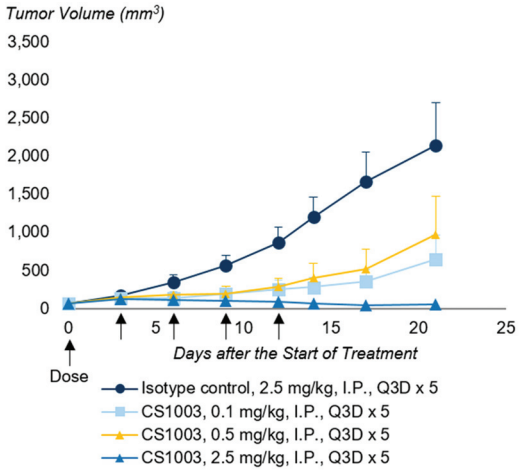
Summary of Pre-clinical Data

Based on the results of non-clinical pharmacology studies conducted to date, CS1003 (PD-1 antibody) binds specifically and potently to human PD-1, blocks PD-L1 (PD-L2)/PD-1 interaction, neutralizes PD-1-mediated activities, and promotes T cell activation. CS1003 enhances T cell cytokine production using *in vitro* human allogeneic MLR assay. CS1003 did not display the CDC and ADCC activities on activated T cells. We investigated the in vivo anti-tumor efficacy of CS1003 against the established CloudmanS9l mouse melanoma model in DBA/2 mice. CS1003 demonstrated significant anti-tumor activity at dosages of 3 and 10 mg/kg in the tumor-bearing mice. We also investigated in vivo anti-tumor efficacy of CS1003 against the MC38-huPD-L1 colon cancer model in hPD-1 knock-in mice. The results show that CS1003 also demonstrated significant anti-tumor efficacy at dosages of 0.1, 0.5 and 2.5 mg/kg.

CS1003 displayed significant anti-tumor efficacy in CloudmanS91 mouse melanoma syngeneic model



CS1003 displayed significant anti-tumor efficacy in MC38-huPD-L1 transgenic model in mice



Summary of Clinical Results

We are currently conducting a first-in-human Phase I study of CS1003 (PD-1 antibody) in Australia. The study is an open-label, multiple-dose, dose-escalation and dose-expansion study to evaluate the safety, tolerability, PK and anti-tumor activity of the anti-PD-1 antibody CS1003 in patients with advanced tumors. The study consists of two parts: Phase Ia (dose escalation) and Phase Ib (expansion). Phase Ia follows a modified "3+3" dose escalation scheme. Four dose levels are planned: 1, 3, 10 mg/kg and 200 mg flat dose, once every 3 weeks (Q3W), and 3 to 6 subjects will be enrolled in each cohort. As of June 20, 2018, a total of 3 patients with advanced tumors were treated with CS1003 intravenously Q3W at 1 mg/kg. Median duration of the study treatment was 24 (23-43) days. The recruitment for the cohort of 1 mg/kg has been completed, CS1003 appears to be well tolerated at 1 mg/kg without dose limiting toxicity (DLT) and serious adverse event (SAE). The safety profile of CS1003 is consistent with findings reported for other anti-PD1 or anti-PD-L1 monoclonal antibodies. The study is currently ongoing to further evaluate safety, PK, and preliminary efficacy of CS1003 in patients with advanced tumors.

Clinical Development Plan

We are currently evaluating CS1003 (PD-1 antibody) as monotherapy in the dose escalation part of a Phase I clinical trial in patients with advanced solid tumors in Australia to evaluate its safety and anti-tumor effect. We have received an IND clearance for CS1003 from the U.S. FDA in October 2018 to expand this trial into the U.S. We have received IND approval for CS1003 from the NMPA in June 2018 and initiated a bridging Phase I trial in patients with advanced tumors in China.

If the data generated by the Phase I studies described above are positive, we plan to pursue multiple indications for CS1003 (PD-1 antibody) both as monotherapy and in combination with other agents globally. We are considering one or more Phase II/III studies of CS1003 as monotherapy in patients with advanced tumors and the specific tumor types will be determined based on positive clinical responses observed in the ongoing Phase I trial. The planned Phase II trial will further evaluate the efficacy and safety of CS1003 in a larger patient population.

We also plan to conduct the clinical trials for the following combination therapies:

- Phase I trial of CS1003 in combination with CS1002 for the treatment of patients with solid tumors in Australia in the second half of 2019.

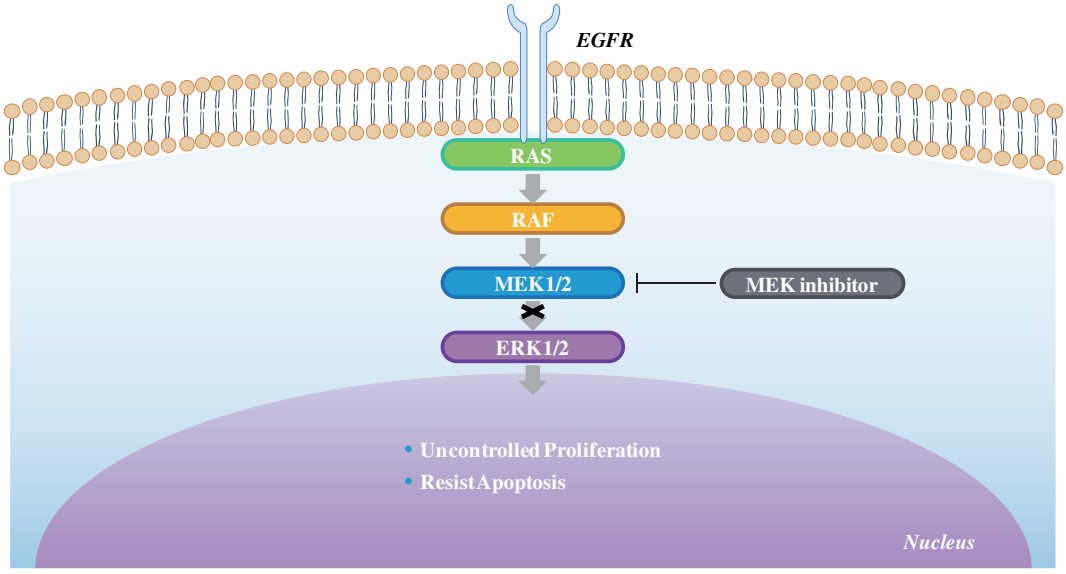
- Phase I trial of CS1003 in combination with CS3006 for the treatment of patients with solid tumors in China and Australia in the second half of 2019.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS1003 SUCCESSFULLY.

CS3006 (MEK inhibitor)

CS3006 is a highly selective investigational small molecule inhibitor of mitogen-activated protein kinase kinases (MEK) 1 and 2 that regulates mitogen-activated extracellular signals. CS3006 is currently being evaluated in a broad clinical program globally and in China in combination with other therapies to treat various solid tumors. MEK1 and MEK2 are serine or threonine protein kinases that act downstream of RAS and RAF to activate ERK. The RAS -RAF -MEK1/2 -ERK1/2 pathway is considered the "classical MAPK pathway", and is one of the most commonly deregulated signaling pathway in cancer. MEK inhibition has been shown to lead to growth abrogation in tumors driven by mutant BRAF, NRAS, and KRAS alleles, implicating MEK as a critical downstream effector for various signaling intermediates of the same pathway. Binding of CS3006 to MEK suppresses MEK function and prevents downstream activation of ERK, which leads to inhibition of cancer cell growth. The following diagram illustrates the mechanism of action of CS3006:

Mechanism of Action of MEK Inhibitor

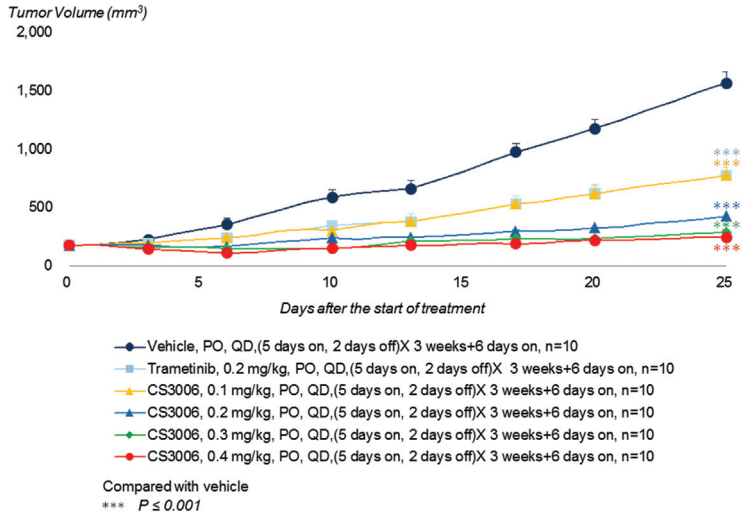


According to the Frost & Sullivan Report, market size of MEK inhibitors is primarily driven by the number of addressable patients with NSCLC and ATC, which was 8,800 and 3,000 in 2017 in China, respectively.

Novartis's Mekinist (trametinib), Roche's COTELLIC (cobimetinib) and ARRAY's MEKTOVI (binimetinib) are three currently approved MEK inhibitors. Mekinist (trametinib) generated sales of US$873 million in 2017 and COTELLIC (cobimetinib) generated sales of US$60 million in 2017, while MEKTOVI (binimetinib) was approved in June 2018. Mekinist (trametinib) is used as a monotherapy for treating BRAF V600E/K mutant melanoma. The combination of trametinib and dabrafenib is also approved for treating NSCLC with V600E/K mutation. The combination of cobimetinib and vemurafenib, another RAF inhibitor, as well as binimetinib and another MEK inhibitor, encorafenib, is approved for the treatment of BRAF V600E/K mutation-positive metastatic melanoma. The combinations of MEK inhibitors with chemotherapeutic agents as well as other novel targeted agents like PD-1, PI3K, CDK4/6, and AKT also showed strong pre-clinical anti-tumor activity. MEK inhibitor combination therapies are being tested in RAS mutated cancers including CRC, NSCLC, pancreatic cancer and cholangiocarcinoma are also being tested.

CS3006 (MEK inhibitor) showed comparable potency as trametinib in MEK1 and MEK2 kinase inhibition activity, and more potent anti-cell proliferation activity than trametinib in HT-29 and A375 tumor cell lines. CS3006 also showed potent tumor growth inhibition activity in in vivo animal models either as a single agent or in combination with anti-PD-1 or anti-PD-L1 antibodies. In HT-29 human colon cancer xenograft mouse model (as shown in the figure below) and CT26 murine colon cancer syngeneic mouse model, CS3006 showed superior anti-tumor activity than trametinib at the same dosage. In CT26 and MC38 murine colon cancer syngeneic mouse models, CS3006 in combination with anti-PD-1 and anti-PD-L1 antibody, respectively, enhanced the anti-tumor activity compared to each of the monotherapies.

Superior anti-tumor activity in HT29 model (BRAF mut)



The table below summarizes the competitive landscape of CS3006 (MEK inhibitor).

Generic Name	Brand Name/ Drug Code	Company	China Filing Status	Mechanism of Action	Proposed Indications	Date*
CS3006		**CStone**	**IND Approval**	**Anti-MEK**	**NSCLC, ATC**	**2018/7/13**
Trametinib	Mekinist	Novartis	Phase II	Anti-MEK	Melanoma	2015/1/20
Binimetinib	Mektovi	Novartis	Phase II (Terminated)	Anti-MEK	NSCLC	2014/8/7
HL-085		KeChow Pharma	Phase I/II	Anti-MEK	Melanoma	2017/1/10
SHR7390		HengRui	Phase I	Anti-MEK	Solid tumors	2016/1/10
TQ-B3234		Chia-tai Tianqing	Phase I	Anti-MEK	Solid tumors	2016/2/25
Cobimetinib	Cotellic	Roche	IND approved	Anti-MEK	Solid tumors	2018/3/2

Source: Frost & Sullivan Analysis

* refers to the IND approval date.

We are currently evaluating CS3006 (MEK inhibitor) in the dose escalation portion of a Phase I clinical trial as a single agent in patients with advanced solid tumors in Australia. We plan to initiate a combination dose escalation portion of this trial in combination with CS1003 (PD-1 antibody) for the treatment of patients with solid tumors in Australia in the second half of 2019. We have obtained IND approval for CS3006 from the NMPA in July 2018. We initiated a Phase I clinical trial of CS3006 as a single agent in patients with solid tumors in China and enrolled the first patient in October 2018. If the data generated by this Phase I trial are positive, we plan to conduct a Phase I trial of CS3006 in combination of CS1003 for the treatment of patients with solid tumors in China and Australia in the second half of 2019.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS3006 SUCCESSFULLY.

CS3003 (HDAC6 inhibitor)

CS3003 is a small molecule inhibitor selectively targeting on histone deacetylases 6 (HDAC6). HDAC6 differs from other HDAC family members by its cytoplasmic location and no impact on DNA histone deacetylation. HDAC6 regulates acetylation of cytoplasmic tubulin, an essential component of aggresome formation in an alternative pathway to the proteasome to remove unfolded or misfolded proteins. Selective inhibition of HDAC6 may lead to better efficacy in multiple myeloma with an improved safety profile. CS3003 also has the potential to combine with a PD-(L)1 antibody to expand the clinical efficacy of immune checkpoint inhibitors. We plan to conduct a Phase I trial of CS3003 in patients with solid tumors or multiple myeloma as a monotherapy and in combination with CS1001 (PD-L1 antibody) in China and Australia in the second half of 2019. We submitted IND applications of CS3003 in China and Australia, respectively, in December 2018.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CS3003 SUCCESSFULLY.

Selected Pre-clinical Drug Candidate

CS3002 is a small molecule inhibitor targeting on cyclin-dependent kinase 4 and 6 (CDK4/6). CDK4/6 plays important role in regulating cell growth and differentiation. CDK4/6 inhibition prevents G1-S phase transition and induces cell-cycle arrest of tumor cells and small molecule inhibitors of CDK4/6 have become standard treatment for certain solid tumors. In addition to its anti-tumor activity as a single agent, CS3002 has shown superior efficacy in mouse tumor models when combined with CS1003, our PD-1 antibody. Subject to IND approval from the NMPA and TGA, we plan to conduct a Phase I trial of CS3002 in patients with solid tumors as a monotherapy and in combination with CS1001 (PD-L1 antibody) in Australia and China in the second half of 2019.

COLLABORATION AND LICENSING AGREEMENTS

Collaboration with Agios

On June 25, 2018, we entered into an exclusive license agreement (the "**Agios Agreement**") with Agios concerning the commercialization of products containing Agios's proprietary ivosidenib in the forms clinically developed by Agios (the "**Licensed Products**"), in Mainland China, Hong Kong SAR, Macau SAR and Taiwan (collectively, the "Territory"), either as a monotherapy or in combination with other therapies. Agios will retain all rights to ivosidenib in the rest of the world. Agios is a Nasdaq listed company (NASDAQ: AGIO), renowned in the field of cellular metabolism to treat cancer and rare genetic diseases.

Under the terms of the Agios Agreement, we will be responsible for conducting the development and commercialization activities for the Licensed Products in hematologic and solid tumor indications in the Territory, with an initial focus in acute myeloid leukemia (AML) and cholangiocarcinoma (CCA), as well as other indications that we and Agios mutually agree to in the future. In addition, at Agios's discretion, we will be responsible for the development and commercialization of the Licensed Products in brain cancer indications in the Territory.

Subject to the terms of the Agios Agreement, Agios received an upfront payment of US$12 million (RMB79 million) and will be eligible to receive up to US$407 million in development, regulatory and commercial milestone payments. The parties may agree to additional indications during the terms, for which US$5 million in milestone payments would be payable for each and every regulatory approval in China of an additional indication. Approximately 50% of the development milestone payments are related to the development and commercialization of the Licensed Products in AML and CCA. The remaining fees are payable only if development and commercialization of the Licensed Products in brain cancer indications, including glioma, are pursued at Agios's discretion as part of the collaboration at a later date. In addition, we will pay Agios tiered royalties ranging from the mid to high teens as a percentage of annual net sales of the Licensed Products in the Territory.

Under the terms of the Agios Agreement, we must use commercially reasonable efforts to perform the activities assigned to us under the drug development plan of global studies and to obtain, or cause to be obtained, relevant regulatory approvals. As part of this effort, we are responsible for all costs associated with development and commercialization activities for the Licensed Products conducted in the Territory and certain of the development costs incurred by Agios in the Territory under the agreement.

Agios granted us (i) an exclusive license to commercialize the Licensed Products, (ii) a co-exclusive license with Agios or any third party sublicensed by Agios to develop the Licensed Products solely for the purpose of commercializing ivosidenib, and (iii) a non-exclusive license to manufacture finished ivosidenib products under the technology of Agios from materials supplied by Agios, its affiliates or its licensees, in each case in the Territory. Subject to specified exceptions, during the term of the Agios Agreement, each party and its affiliates are prohibited from developing, commercializing or manufacturing any other compound or product that inhibits IDH1 mutations at specified levels of binding for certain indications, in our case anywhere in the world, and in Agios's case in the Territory. Additionally, we may not engage in any development or commercialization of products that target patients with an IDH1 mutation for the treatment of conditions including AML, CCA and, if brain cancer indications are pursued at Agios's discretion, glioma.

In accordance with the Agios Agreement, we and Agios established a joint steering committee with equal representation from each party to coordinate, oversee and make decisions in relation to the development, commercialization and manufacturing of the Licensed Products in the Territory. In the event that the joint steering committee cannot agree on a decision, however, either we or Agios shall have final decision-making authority, depending on the subject matter of the decision.

In the development and commercialization of the Licensed Products, both we and Agios maintain ownership of our respective background intellectual property rights. Subject to the terms of the Agios Agreement, we and Agios will jointly own certain inventions, patent rights and know-how based on certain jointly conceived intellectual property that relates to the Licensed Products (the "**Joint Combination Therapy Technology**"). Agios will solely own the know-how related to the Licensed Products, other than Joint Combination Therapy Technology. We granted Agios an exclusive license (with the right to transfer and sublicense) in the Joint Combination Therapy Technology and certain of our related intellectual property to develop, manufacture and commercialize the Licensed Products outside the Territory. We also granted Agios a non-exclusive license of our rights in the Joint Combination Therapy Technology to develop and commercialize certain Agios products. Agios granted us a non-exclusive license in the Joint Combination Therapy Technology to manufacture finished drug product and bulk drug product in the Territory, subject to the provisions under the Agios Agreement, solely for the purpose of developing and commercializing the Licensed Products in the Territory. Agios also granted us a non-exclusive license in the Joint Combination Therapy Technology to develop and commercialize certain of our products.

Unless terminated earlier, the Agios Agreement will expire upon the expiration of the royalty term for the last Licensed Product within the scope of the Agios Agreement. Royalties shall be paid on a Licensed-Product-by-Licensed-Product and jurisdiction-by-jurisdiction basis within the Territory, with each such royalty term expiring on the later of (i) the expiry of the last applicable patent covering such Licensed Product in such jurisdiction, (ii) the lapse of regulatory or marketing exclusivity with respect to such Licensed Product in such jurisdiction, or (iii) ten years following the first commercial sale of such Licensed Product in such jurisdiction. At any time after we have obtained regulatory approval in mainland China in R/R AML and the last patient has been enrolled in a specified clinical trial (or, if earlier, at any time that we acquire or are acquired by an entity with a competing or restricted product), we may terminate the Agios Agreement in its entirety with 12-months' prior written notice. If we terminate the Agios Agreement at will, we must deliver a notice of termination and provide Agios a list of all clinical trials for any Licensed Product that is conducted by us in the Territory ("Local Studies"), excluding any study conducted solely by Agios or conducted in more than one country or jurisdiction by Agios. We will continue to be subject to all obligations, including all payment and diligence obligations under the Agios Agreement for the 12-month period after delivery of notice of termination. Agios may elect to resume or wind down such Local Studies for the remainder of the 12-month period. For resumed Local Studies, we are responsible for the lesser of (i) 120% of all out-of-pocket costs incurred by Agios or its affiliates for developing Licensed Products in the Territory for the remainder of the 12 months and (ii) the costs budgeted for the activities set forth in the then-current development plan for the remainder of the 12 months. For Local Studies to be wound down, we are responsible for (i) all out-of-pocket costs incurred by Agios or its affiliates in winding down such Local Studies; or (ii) winding down such Local Studies in compliance with all applicable laws at our sole expense. Either party may, after specified cure periods, terminate the Agios Agreement in the event of the other party's uncured material breach. Either party may terminate the Agios Agreement under specified circumstances relating to the other party's insolvency. Agios has the right to terminate the Agios Agreement immediately if we or our affiliates, sublicensees or subcontractors challenge the validity, patentability or enforceability of certain patent rights that relate to ivosidenib and are owned by or licensed to Agios or its affiliates. If we terminated the Agios Agreement at will pursuant to the terms of the contract, we will be obligated to pay additional costs, including Agios's costs in respect of assuming control of the local clinical studies in the Territory, as well as costs associated with the winding down of other development activities pursuant to the terms of the Agios Agreement. On termination, all of the licenses cease, except for each party's license to the Joint Combination Therapy Technology under the Agios Agreement.

To the best of our knowledge, Agios is an independent third party.

Collaboration with Blueprint

On June 1, 2018, we entered into an exclusive license and collaboration agreement (the "**Blueprint Agreement**") with Blueprint concerning the development and commercialization of avapritinib (CS3007), CS3008 (BLU-554) and CS3009 (BLU-667) (collectively, the "**Blueprint Licensed Products**") in the Territory, either as a monotherapy or in combination with other therapies. Blueprint will retain all rights to the Blueprint Licensed Products in the rest of the world. Blueprint is a Nasdaq listed company (NASDAQ: BPMC), renowned for discovering and developing targeted kinase medicines for patients with genomically defined diseases.

The collaboration strengthens our portfolio with exclusive rights in the Territory to three clinical-stage targeted therapies. We will lead clinical development of the Blueprint Licensed Products in the Territory by leveraging our regulatory expertise and broad local network, with the goal of commercializing the Blueprint Licensed Products in the Territory either as monotherapies or combination therapies. In addition, we and Blueprint plan to initiate a proof-of-concept clinical trial in China evaluating CS3008 (BLU-554) in combination with CS1001 (PD-L1 antibody), a clinical-stage anti-programmed death ligand-1 (PD-L1) immunotherapy being developed by us, as a first-line therapy for patients with hepatocellular carcinoma (HCC) upon satisfaction of certain conditions as set forth in the Blueprint Agreement.

Pursuant to the terms of the Blueprint Agreement, we will be responsible for conducting all development and commercialization activities in the Territory related to the Blueprint Licensed Products. In addition, we will be responsible for costs related to the development of the Blueprint Licensed Products in the Territory, other than specified costs related to the development of CS3008 (BLU-554) as a combination therapy with CS1001 (PD-L1 antibody) in the Territory that will be shared by the parties.

Subject to the terms of the Blueprint Agreement, Blueprint received an upfront cash payment of US$40 million (RMB257 million) and will be eligible to receive up to approximately US$346.0 million in potential milestone payments, including US$118.5 million related to development and regulatory milestones and US$227.5 million related to sales-based milestones. In addition, we will be obligated to pay Blueprint tiered percentage royalties on a licensed-product-by-licensed-product basis ranging from the mid-teens to low twenties on annual net sales of each Blueprint Licensed Product in the Territory, subject to certain adjustments in specified circumstances.

In accordance with the Blueprint Agreement, we and Blueprint established a joint steering committee with equal representation from each party to coordinate and oversee development, commercialization and manufacturing activities and decisions for the Blueprint Licensed Products. In the event that the joint steering committee cannot agree on a decision, the dispute is referred to executive officers of the parties to resolve. If the executive officers cannot reach agreement, then the Blueprint Agreement generally provides that neither party will have final decision-making authority over several categories of disputes, which must be decided by unanimous agreement of the parties in order to take any action or adopt any change from the then-current status quo. However, the Blueprint Agreement specifies certain areas in which either we or Blueprint have final decision-making authority. For example, we have final decision-making authority concerning manufacturing of Blueprint Licensed Products in the Territory following a certain point in the collaboration, while Blueprint has final decision-making authority concerning the manufacturing of Blueprint Licensed Products prior to that point and at all times with respect to manufacturing the active pharmaceutical ingredient in any Blueprint Licensed Product. With respect to disputes concerning the development of the Blueprint Licensed Products, we have final decision-making authority on certain clinical trials that are only for the purpose of obtaining regulatory approval in the Territory, while Blueprint has final decision-making authority on global clinical trials.

In the development and commercialization of the Blueprint Licensed Products, both we and Blueprint maintain ownership of our respective background intellectual property rights, with all newly developed IP rights vesting in Blueprint in exchange for a one-time payment by Blueprint to us, except that we and Blueprint will jointly own all intellectual property generated from the development of any Blueprint Licensed Product in combination with a pharmaceutical product that is proprietary to our Company (the "**Blueprint/CStone Combination Technology**"). We and Blueprint granted each other a non-exclusive license (with the right to sublicense) to the Blueprint/CStone Combination Technology to develop certain products in accordance with the Blueprint Agreement.

Subject to specified exceptions, during the term of the Blueprint Agreement, each party has agreed that neither it nor its affiliates will conduct specified development and commercialization activities in the Territory related to selective inhibitors of FGFR4, KIT, PDGFRα or RET.

Unless terminated earlier, the Blueprint Agreement will continue on a product-by-product and region-by-region basis until the later of (i) 12 years after the first commercial sale of a Blueprint Licensed Product in a region in the Territory and (ii) the date of expiration of the last valid patent claim related to Blueprint's patent rights or any joint collaboration patent rights for the Blueprint Licensed Product that covers the composition of matter, method of use or method of manufacturing such Blueprint Licensed Product in such region. Subject to the terms of the Blueprint Agreement, we may terminate the Blueprint Agreement in entirety or with respect to a Blueprint Licensed Product by written notice, following the occurrence of specified events and subject to different notice periods under the Blueprint Agreement. In addition, Blueprint has the right to terminate the Blueprint Agreement if we or certain other parties challenge certain patent rights or joint collaboration patent rights that relate to the

Blueprint Licensed Products and are owned by or licensed to Blueprint or its affiliates. Blueprint may also terminate the Blueprint Agreement under specified circumstances if we or our affiliates do not conduct any material development or commercialization activities with respect to one or more Blueprint Licensed Products for a specified period of time, subject to specified exceptions. Either party may, subject to specified cure periods, terminate the Blueprint Agreement in the event of the other party's uncured material breach. Either party may terminate the Blueprint Agreement under specified circumstances relating to the other party's insolvency. In certain termination circumstances, the parties are entitled to retain specified licenses to enable them to continue to exploit the Blueprint Licensed Products. In the event of termination by us for Blueprint's uncured material breach, Blueprint will be obligated to pay us a low-single-digit percentage royalty on a product-by-product basis on annual net sales of such Blueprint Licensed Product in the Territory, subject to a cap and other specified exceptions.

To the best of our knowledge, Blueprint is an independent third party.

Collaboration with WuXi Biologics

On February 27, 2018, we entered into an exclusive license agreement (the "**WuXi Ex-China Agreement**") with WuXi Biologics. WuXi Biologics' affiliate, WuXi Biologics (Shanghai) Co. Ltd., is a joint applicant for a PCT application that claims CS1001 (PD-L1 antibody), an anti-PD-L1 monoclonal antibody (the "**Compound**"). Under the WuXi Ex-China Agreement, WuXi Biologics and its affiliates with the authorization of the other joint applicant for such PCT application (the "**Joint Applicant**"), granted us an exclusive, sub-licensable, non-transferable license to commercialize, develop (including the rights to determine and perform R&D and clinical trials) and manufacture the Compound and any products containing the Compound (the "**Products**") worldwide excluding Mainland China, Hong Kong SAR, Macau SAR and Taiwan (the "**ex-China Territory**"), either as a monotherapy or in combination with other therapies. The Joint Applicant offers genetically engineered animals for the development of fully-human therapeutic antibodies, which were used to generate CS1001 (PD-L1 antibody) for the purpose of clinical development. The Joint Applicant authorized WuXi Biologics to enter into the WuXi Ex-China Agreement through a letter dated February 2018.

Pursuant to the WuXi Ex-China Agreement, we have sole authority and control over the development (including the rights to determine and perform R&D and clinical trials) and commercialization of the Compound and Products in the ex-China Territory. We are also responsible for any regulatory filings in the ex-China Territory, with WuXi Biologics providing support in fulfilling the requirements for approval of such regulatory filings. WuXi Biologics has completed the national phase filings under the PCT application and we will reimburse it for its associated expenses.

Under the terms of the WuXi Ex-China Agreement, we agreed to share equally WuXi Biologics' liability for certain royalty and milestone payment obligations to the Joint Applicant as set forth in a certain collaboration agreement between the Joint Applicant and WuXi Biologics. We are also required to share with WuXi Biologics our profits in the ex-China Territory as calculated by deducting costs from our sales revenues and any other direct economic benefits (including any up-front, milestone and royalty payments from any third-party sub-licensees) earned in respect of the Compound and Products in the ex-China Territory. Costs include the royalty and milestone payments to the Joint Applicant, clinical development costs, regulatory filing costs and sales and marketing costs in the ex-China Territory and any other costs as agreed upon between us and WuXi Biologics. We are obligated to share with WuXi Biologics specific tiered percentages of our profits in the ex-China Territory which decreases with the advancement of the drug development stage. The highest percentage of profits is shared at the stage of pre-clinical studies, after which the percentage of profits shared decreases as the drug development enters Phase I/II trial stage, pivotal trial stage, regulatory filing stage, and subsequently marketing and sales stage. Prior to the marketing and sales stage, our profits in the ex-China Territory, if any, are expected to primarily include upfront, milestone and royalty payments from a third party should we elect to sub-license the Compound to such third party in a jurisdiction within the ex-China Territory. Upon the marketing and sales launch of the Products, 40% of the profits will be shared. Such profit sharing will cease upon the expiration of the relevant patent. It is only applicable to profits generated in the ex-China Territory and thus excludes our profits generated in Mainland China, Hong Kong SAR, Macau SAR and Taiwan. We are not required to pay any upfront fee or milestone or royalty payment under the WuXi Ex-China Agreement.

Subject to the terms of the WuXi Ex-China Agreement, each party shall own any inventions created solely by such party under the agreement, and any inventions jointly-created by both parties are to be jointly-owned, subject to applicable law. Further, we grant to WuXi Biologics and its affiliates a fully paid-up, worldwide, royalty-free, irrevocable, transferrable, sublicensable license under the PCT application and any future issued patent rights thereunder to research, discover, develop, make, have made, use, sell, offer for sale and import three limited types of improvements and/or modifications of the Compound taking the form of multifunctional antibodies, antibody drug conjugates and pro-drug like antibodies. We retain full right to research, discover, develop, make, have made, use, sell, offer for sale and import of these three types of improvements and/or modifications. We agree not to provide such license in and to such improvements or modifications of the Compound to any other third party. Each party's improvement and modification outside of these three types involving the Compound patent under the WuXi Ex-China Agreement is subject to the other party's written consent except under limited circumstances and may require additional licensing fees.

Unless earlier terminated, the WuXi Ex-China Agreement will expire on the later of (i) the date on which there is no valid claim of a patent filed and/or obtained based on the PCT application covering the Compound or Products in the ex-China Territory, or (ii) if any patent applications filed on the foregoing basis are pending, the date on which such patent applications receive formal final rejection from the relevant governmental authority.

In Mainland China, Hong Kong SAR, Macau SAR and Taiwan, WuXi Biologics transferred to us its rights to the PCT application and future issued patents for the Products in March 2017 pursuant to the WuXi Biologics Contract (as defined below). For revenues generated in Mainland China, Hong Kong SAR, Macau SAR and Taiwan, we are required to pay a single digit percentage royalty until the expiration of the patent under the WuXi Biologics Contract. For details, see "– Research and Development – Our Relationship with CROs – Our Relationship with WuXi Biologics and WuXi AppTec – WuXi Biologics".

RESEARCH AND DEVELOPMENT

We believe research and development is critical to our future growth and our ability to remain competitive in the Chinese biopharmaceutical market. We are dedicated to building a leading innovative drug development platform with a focus on clinical development.

Our Chief Medical Officer, Dr. Jianxin Yang, and our Chief Scientific Officer, Dr. Xinzhong Wang, oversee our R&D activities.

We conduct our R&D activities through in-house R&D team. Our R&D team has a full range of capabilities from product selection to pre-clinical studies to clinical trials. Our in-house translational medicine research team carries out several activities to facilitate our pre-clinical and clinical studies, including compound activity profiling using in vitro cell-based assays, regular histological and immunohistochemical staining of human and mouse tumor tissues and bioinformatics data processing and analysis. We also collaborate with academic institutions and industrial partners to engage in joint investigations, such as biomarker discovery and tumor immune-profiling, and to conduct research projects that range from tumor modeling to drug discovery. We believe our R&D team and our discovery strategy will enable us to achieve our long-term goal of commercializing innovative oncology drugs for patients worldwide.

In addition, we collaborate with external research partners, such as leading CROs, academic institutions and commercial partners. We entered into research and development contracts with WuXi Biologics and WuXi AppTec in 2016 and 2017, the details of which can be found in "Our Relationship with CROs – Our Relationship with WuXi Biologics and WuXi AppTec." Our market-driven R&D efforts focus on product candidates that address clinical needs within China's large and growing therapeutic area of oncology.

For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, our research and development expenses were RMB247.1 million, RMB213.4 million, RMB165.8 million and RMB699.3 million, respectively.

Drug Discovery and Pre-Clinical Development

Our drug discovery and pre-clinical research team is dedicated to drug discovery, formulation development, process development and pre-clinical research of new drug candidates. During the last two years, we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1 antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor). Our research team will continue to advance the other five drug candidates in our pipeline towards IND. We plan to submit one new IND for CS3002 in 2019. These novel drug candidates will create opportunities for additional combination therapies with our immune checkpoint backbone antibody drug candidates.

With respect to new drug development, our internal R&D team takes a leading role in the design and management of the research projects and outsources daily execution tasks to leading CROs in China. Our pre-clinical research, clinical development, CMC and business development groups interact closely with each other to advance our R&D projects in an efficient and seamless manner. For example, our clinical development and CMC groups participate early in our R&D process, which helps us select attractive projects with market potential and reduce the risk of unanticipated obstacles in the clinical development and manufacturing stage.

As of September 30, 2018, our pre-clinical research team consists of seventeen employees, including ten members holding doctorate degrees and six members holding master's degrees. Our multidisciplinary team has expertise in pharmacology, toxicology, DMPK, ADME, cancer biology and translational medicine and biomarker discovery. We will continue to develop our pre-clinical research capabilities and optimize the technology platforms to support pipeline enrichment. We will leverage our proprietary data from our translational research to discover new biomarkers for precision combination immunotherapy and new drug targets. We will rationalize and provide scientific data support to clinical combination of our pipeline drug candidates with our immune checkpoint inhibitors. We will explore and develop novel differentiated therapeutic molecules such as bi-specific antibodies.

We have set up an approximately 2000-square-meter research laboratory in Suzhou, China. We have research activities in molecular and cellular biology, *in vitro* and *in vivo* pharmacology, immunohistochemistry, xenograft and syngeneic mouse tumor models. We have also established a bioinformatics platform for data processing and analysis. Our bioinformatics team will provide strong support for our drug target selection as well as biomarker discovery.

- *Molecular and cellular laboratories* – perform *in vitro* assays to evaluate a drug candidate's activity in cancer cell killing and modulation of various kinds of immune cells such as T cell function; study a drug candidate's mechanism of action and drug resistance and sensitization strategy.

- *Immunohistochemistry laboratory* – use automated IHC equipment to analyze animal or human tumor samples for target expression and biomarker validation such as PD-L1 expression in tissues.

- *Bioinformatics platform* – access and utilize current external "mics" database such as TCGA for drug target discovery and validation; analyze patient profiling data from modern technologies such as next-generation sequencing (NGS) and nano-string for gene expression.

Translational Medicine Research Center

In October 2017, we established CStone Suzhou Translational Medicine Research Center (TMRC), a cutting-edge clinical research institution. The main functions of the TMRC are to discover and validate predictive biomarkers to discover mechanisms of action and drug resistance mechanisms and design second generation therapies. TMRC accelerates innovative drug development through these functions, which helps bring the right therapies to the right patients in China. It also aims to create an R&D ecosystem, and promote interdisciplinary collaboration with domestic and international companies and academic institutions. The TMRC is also designed to promote internal talent development of our employees through collaboration with leading academic institutions in China. We developed proprietary algorithms for biomarker discovery based on our research of genetic information from our patient studies. In addition, through genome-scale analysis of public datasets, we discovered gene signatures that can be used for identification of tumors with inflamed tumor microenvironment, which enables big data analysis for features of tumor immunity and identification of biomarkers predictive of response to immuno-therapy. We have discovered the correlation between such gene signatures and strong T cell infiltration in tumors, which we are actively investigating not only as potential biomarkers to predict responses but also as novel therapeutic targets. The discovery of IIS, TIS, CYT, APM and IFN18 gene sets that reflect different aspects of tumor immunity and show significantly positive pairwise correlations was presented in the 2018 annual meeting of American Association of Cancer Research (AACR) in Chicago.

The TMRC also collaborates with local industrial partners to leverage cutting-edge technology for tumor immune-profiling at the single cell level with minimal sample volume. We believe this collaboration may facilitate predictive biomarker identification and development of companion diagnostics.

The TMRC discovers and validates biomarkers such as PD-L1, TMB, MSI-H and IFN-γ to facilitate the prediction of treatment response, which increases the success rate of clinical trials. It uses pre-clinical discoveries to guide patient selection and monitor treatment response in clinical trials, and also uses clinical findings to guide pre-clinical discovery of drug resistance mechanisms. We also focus on biomarker discovery among the tumor types that are most prevalent in Chinese cancer patients.

Collaboration with Third Parties

In addition to our focus on in-house R&D, we also collaborate with external research partners to jointly carry out R&D activities with respect to new drug candidates, as well as to enhance our own R&D capabilities. We have entered into collaboration arrangements with established biopharmaceutical companies such as Agios and Blueprint, primarily in order to broaden our access to their proprietary products and leverage their established R&D platforms. For details, see "– Collaboration and Licensing Agreements."

Our research collaborations may also be in the form of in-licensing or other arrangements from external research partners when the relevant product candidate is still in a relatively early development stage. The terms of the in-licensing agreements or other arrangements also vary depending on the nature and status of the relevant product candidate. We usually make milestone payments to our partners upon the completion of each development stage for exclusive ownership or license of all rights related to the product candidate, including regulatory approvals, intellectual property rights, experimental data and records, and other reports and related materials for the relevant product candidate.

COMMERCIALIZATION

We are in the process of formulating our sales and marketing plan in anticipation of potential product launches within the next three years. As we believe the scale and sophistication of our commercial operation will be crucial to our business, we are building an in-house commercialization team in China to commercialize our drug candidates. We plan to develop our commercialization team into a team of about 100 employees by 2020. We expect our commercialization team to cover a majority of provinces and municipalities in China and to support imminent launches of our late-stage clinical drug candidates and further develop into a full-fledged team as we grow in anticipation of further product launches expected from our pipeline. We plan to hire teams of sales and marketing and other supporting functions personnel, and begin developing our sales and marketing strategy, with an initial focus on launching our late-stage drug candidates in China.

Clinical Development

We believe clinical development capabilities are critical to success in our industry. We have built internal clinical development capabilities, which we believe provide a competitive advantage over other biopharmaceutical companies in China. As of the Latest Practicable Date, we had 91 clinical development staff, approximately 37% of whom hold M.D. or Ph.D.. More importantly, 85% of the team has clinical development experience in multinational companies. We believe that the global experience and local expertise of our clinical development team enables us to take advantage of significant regulatory reforms in China by integrating China and global clinical development. As of the Latest Practicable Date, we had initiated eleven clinical trials, including four pivotal trials, and we have submitted twenty IND/CTA applications for nine drug candidates and obtained thirteen IND/CTA approvals for eight drug candidates, including two from the U.S. FDA for CS1001 (PD-L1 antibody) and CS1003 (PD-1

antibody) and three from TGA for CS1002 (CTLA-4 antibody), CS1003 (PD-1 antibody) and CS3006 (MEK inhibitor). All of our data and clinical practices are designed to meet the global standards of the International Council on Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH).

Each of our clinical development programs is led by a program leader who (i) formulates a clinical development plan, (ii) designs the trial protocol, (iii) oversees the trial execution and (iv) prepares the NDA filing, all with support from relevant team members. We employ adaptive clinical trial design to achieve efficiency in drug development processes and potentially accelerate approvals for our drug candidates. Our clinical development strategy also emphasizes a front-loaded proof of concept trial strategy and a streamlined, parallel decision-making process with predefined go and no-go criteria. To maximize trial efficiency, we strategically select trial locations to utilize the limited numbers of available trial centers and principal investigators and to optimize trial speed, cost-effectiveness and global compatibility.

We strive to achieve clinical operational excellence by maintaining quality control. We perform core functions such as designing clinical development strategy and protocol in-house and exercising control and oversight over key functions of clinical trial management, including data source validation. To allow flexibility to scale up and achieve efficiency, we outsource day-to-day execution of clinical development activities to leading CROs to ensure effective and seamless execution. To monitor and evaluate services performed by our CROs, we assign internal staff to supervise our CROs on key clinical activities, such as patient eligibility review, medical data review and SAE review. The study team, which is comprised of members from us and the CRO's, hold regular meetings to evaluate the CRO's performance by following up on study progress and discussing potential issues and risks. We have implemented standardized metrics to monitor key qualitative and quantitative indicators that include training compliance, quality issues for deliverables, timeliness of data entry and monitoring visit report completion, and turnover rate of key team members assigned to the study. Our project manager and senior management also conduct site visits to oversee site initiation and patient recruitment and monitor data quality. Data quality is further assessed by in-house data review, including medical review, study document review and monitoring report review.

We believe our strength in recruiting clinical trial participants and our ability to conduct large-scale, clinical trials to a high standard in China and globally enable us to reduce our drug development lead times by generating the requisite data reliably and efficiently. Supported by our CROs and our geographically diverse hospital partners, we are able to recruit specialized populations for otherwise difficult-to-recruit clinical trials. We have the expertise and experience in recruiting for and conducting trials involving a variety of indications.

The clinical development group also manages the regulatory submission process for our drug candidates, which requires filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. We have a dedicated regulatory team within the clinical development group that prepares and manages regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting GxP readiness assessments for our drug candidates. Our regulatory team currently consists of seven members, two of whom have doctorate degrees, and the team members have on average more than 10 years of industry experience and are generally familiar with relevant competent authorities, such as NMPA, and comparable authorities outside of China, such as the Therapeutic Goods Administration of Australia and the U.S. FDA.

Our Relationship with CROs

We use industry-leading contract research organizations, or CROs, and consultants to manage, conduct and support our clinical trials and pre-clinical studies in China and Australia. We currently work with a number of experienced consultants, including Dr. Frank Xiaofeng Qin, the Principal Investigator at Suzhou Institute of Systems Medicine and adjunct professor at the University of Texas MD Anderson Cancer Center. Dr. Qin's research focuses on the role of immuno-activation and immuno-suppression in tumor immunotherapy and its regulatory mechanisms; he also studies the tumor microenvironment through functional genomics and cancer genome sequencing. We entered into a four-year translational research contract for NKT tumors with Dr. Qin in August 2018. Under the contract, Dr. Qin will conduct research projects designated by us and we will provide funding for such research projects. The contract provides that the details of the research projects, funding, operations, and ownership of intellectual properties shall be set forth in the supplemental agreements to be mutually agreed by both parties. We also work with academic institutions, such as The College of Pharmaceutical Sciences of Soochow University and the Suzhou Institute of Systems Medicine, to carry out research projects that range from tumor modeling to drug discovery. We select our CROs based on various factors, such as the qualifications, academic credentials and professional experience of their employees and also their industry reputation. Our current CROs include industry-leading players such as Wuxi Biologics, Wuxi AppTec and other well-known CRO service providers. As the CRO services continue to become standardized, we do not believe there is undue reliance on our current CRO service providers. The CROs provide us with an array of products and services necessary for complex clinical trials. For our eleven ongoing trials, the Phase I trial of CS1001 (PD-L1 antibody) in China is carried out by Wuxi AppTec and the remaining ten trials are carried out by other industry leading CROs, six of which are in China, three in Australia and one in the United States. We select CROs by reviewing various factors, including their professional qualifications, research experience and industry reputation. In addition to the scope, depth and quality of the service and product offerings of the CROs, we place emphasis on the ability of the CROs to facilitate optimal site selection, to timely recruit patient and to conduct complex clinical trials efficiently. We generally enter into a master agreement with a CRO for clinical trials management services under which we execute separate work orders for each pre-clinical or clinical research project. To ensure the performance of these third-party service providers in a manner that complies with our protocols and applicable laws, which in turn protects the integrity and authenticity of the data from our trials and studies, we pay close supervision to these third-party service providers.

Below is a summary of the key terms of an agreement that we typically enter into with our CROs:

- *Services*. The CRO provides us with services such as the design, implementation and management of clinical research project as specified in the master agreement or a work order.

- *Term*. The CRO is required to perform its services within the prescribed time limit set out in each work order.

- *Payments*. We are required to make payments to the CRO in accordance with the payment schedule agreed by the parties.

- *Risk allocation*. Each party should indemnify the other party for losses caused by its negligence, recklessness, intentional misconduct or material breach of the master agreement or the work order.

Our primary CROs are WuXi Entities. The tables below set forth the information of certain other CROs engaged by the Company during the Track Record Period:

Year ended December 31, 2016	**Amount of contracting costs incurred for services provided by CRO**	**Service Commencement Date**	**Service Provided**	**Related drug candidate**
	(RMB'000)			
Provider A[(1)]	130	1H2016	Pre-clinical operation service	CS1001 (PD-L1 antibody)

Year ended December 31, 2017	Amount of contracting costs incurred for services provided by CRO	Service Commencement Date	Service Provided	Related drug candidate
	(RMB'000)			
Provider B[(2)]	182	2H2017	Pharmacovigilance service	CS1001 (PD-L1 antibody), CS1003 (PD-1 antibody), CS3006 (MEK inhibitor), CS1002 (CTLA-4 antibody)

Nine months ended September 30, 2018	Amount of contracting costs incurred for services provided by CRO	Service Commencement Date	Service Provided	Related drug candidate
	(RMB'000)			
Provider C[(3)]	7,545	2H2017	Clinical operation service	CS1001 (PD-L1 antibody)
Provider D[(4)]	5,044	2H2017	Clinical operation service	CS1003 (PD-1 antibody)
Provider E[(5)]	4,863	2H2017	Clinical operation service	CS1002 (CTLA-4 antibody), CS3006 (MEK inhibitor)
Provider B[(2)]	3,370	1H2018	Clinical operation service, Pharmacovigilance service	CS1001 (PD-L1 antibody), CS1003 (PD-1 antibody), CS3006 (MEK inhibitor), CS1002 (CTLA-4 antibody)

Notes:

(1) We selected Provider A as our CRO provider based on its industry reputation as a leading CRO in China, the academic qualifications of its key team leads, and its robust professional experience of integrating hybridoma technology into its research and development services.

(2) We selected Provider B as our CRO provider based on its industry reputation as a leading CRO in China, the academic qualifications of its key team leads, and its robust professional experience of having conducted more than 1000 clinical trials.

(3) We selected Provider C as our CRO provider based on its industry reputation as a leading international CRO provider, the academic qualifications of its key team leads, and its robust professional experience of having conducted clinical trials in more than 100 countries.

(4) We selected Provider D as our CRO provider based on its industry reputation as a leading international CRO provider, the academic qualifications of its key team leads, and its robust professional experience of having supported the clinical trials of multiple best-selling drugs.

(5) We selected Provider E as our CRO provider based on its industry reputation as a leading international CRO provider, the academic qualifications of its key team leads, and its robust professional experience of integrating data analytics to optimize clinical trial design.

The Company will arrange for a board committee consisting of a majority of independent non-executive Directors to further ensure the fairness and reasonableness of agreements with WuXi Entities by (i) reviewing before signing these agreements and benchmarking against the terms of agreements with other CROs to check parity; and (ii) comparing against a list of key qualitative and quantitative CRO contractual terms (which are reviewed on an annual basis) including pricing provisions, duration and scope of service, payment terms, quality of deliverables, timeliness of data entry and stability of team members assigned so that all contracts with CROs fall within the acceptable range. Where the board committee find the terms of proposed agreements with WuXi Entities unsatisfactory as compared with the criteria above, further negotiation with WuXi Entities will need to take place. In the event that an agreement fails to be reached after two rounds of review by the board committee, the Company shall seek for alternatives and start discussion with non-WuXi Entities. The Company will disclose on a voluntary basis in its annual report the number of agreements with WuXi Entities the board committee has reviewed in the past financial year and whether their terms are satisfactory in comparison with criteria described above.

We believe our strength in recruiting clinical trial participants and our ability to conduct large, high-quality clinical trials enable us to shorten the time required for drug development by generating the requisite data reliably and efficiently. With the support of our CROs and our geographically diverse hospital partners, we are able to recruit specialized populations for otherwise difficult-to-recruit clinical trials.

Our Relationship with WuXi Biologics and WuXi AppTec

WuXi Biologics

WuXi Biologics is a leading biologics services provider whose shares are listed on the Stock Exchange since June 2017. WuXi Biologics, and a number of its subsidiaries, are amongst our top five suppliers during the Track Record Period.

As of the Latest Practicable Date, to the best knowledge of our Company, WuXi Biologics was ultimately controlled by, among others, Dr. Ge Li, its chairman and non-executive director. Dr. Li also holds minority interest in WuXi Healthcare Management, LLC, the general partner of WuXi Healthcare Ventures, our Controlling Shareholder as of the date of this prospectus. In addition, Edward Hu, a non-executive director of WuXi Biologics, holds minority interest in WuXi Healthcare Management, LLC.

Other than the aforesaid indirect interests in WuXi Biologics and WuXi Healthcare Ventures held by Dr. Li, Dr. Li has no other interest in WuXi Biologics and WuXi Healthcare Ventures, accordingly, WuXi Biologics is not a connected person of our Company under the Listing Rules.

Our Directors confirm that the transactions between our Group and WuXi Biologics have been, and will continue to be, conducted on an arm's-length basis and on normal commercial terms in the ordinary and usual course of the Group's business.

We entered into a contract with WuXi Biologics in February 2016 concerning drug discovery and pre-clinical development services for 13 biologic drug candidates, or 13 projects, from WuXi Biologics, which focus on therapeutic areas including immuno-oncology and autoimmune diseases (the "**WuXi Biologics Contract**"). We are still pursuing PD-L1 (CS1001), CTLA-4 (CS1002), PD-1 (CS1003) inhibitors and a pre-clinical drug candidate under the WuXi Biologics Contract. At the time we entered into the WuXi Biologics Contract, PD-L1, CTLA-4 and PD-1 inhibitors were at pre-clinical stage and we have advanced PD-L1, CTLA-4 and PD-1 inhibitors to clinical stage after we entered into the WuXi Biologics Contract.

The WuXi Biologics Contract sets forth (i) each biologic drug candidate's research and development schedule, details of the services to be provided along with the corresponding service fee, (ii) a milestone fee structure that requires our Company to pay a non-refundable milestone fee of US$10.65 million upon signing of the contract, (iii) a fee structure that requires us to pay single digit of the global net sales revenue as royalties for at least 10 years, if any of the 13 biologic products is commercialized, and (iv) project management regime, confidentiality obligations of the parties, ownership of intellectual property rights, and termination clause and other general terms and conditions. We are entitled to the technical know-how generated under the WuXi Biologics Contract. Pursuant to the WuXi Biologics Contract, WuXi Biologics will transfer worldwide rights of the 13 drug candidates to us after we fulfill our obligation to pay under the contract, except for PD-L1 and CTLA-4 antibodies and Factor VIII, a biosimilar drug candidate. The worldwide rights refer to ownership rights of the relevant drug candidate and the worldwide PCT application and patents to be issued for the drug candidate. We terminated the development of Factor VIII in November 2018 because competing products with long-lasting effects or better efficacy have been approved or developed in clinical trials, rendering the development of Factor VIII less commercially attractive. In 2016, 2017 and the first nine months of 2018, we incurred approximately RMB6.6 million, RMB10.6 million and RMB0.5 million clinical and pre-clinical expenses for the research and development of Factor VIII. Such intellectual property right ownership arrangement was a result of the commercial negotiation between the parties and is in line with the industry practice. For PD-L1 antibody, WuXi Biologics is obligated to transfer, and has transferred, all of its rights (including the rights to determine and perform R&D and clinical trials) to us in Mainland China, Hong Kong SAR, Macau SAR and Taiwan pursuant to the WuXi Biologics Contract. WuXi Biologics transferred its rights to the relevant patents to be issued in the future in Mainland China, Hong Kong SAR, Macau SAR and Taiwan to us in March 2017. For CS1003, WuXi Biologics transferred its rights to the relevant patents to be issued in the future in Mainland China, Hong Kong SAR, Macau SAR and Taiwan to us in August 2017 and has not reached the development stage to transfer the worldwide rights in the ex-China Territory to us. We did not pay additional consideration for the transfer of the the rights to the patents to be issued in the future relating to CS1001 (PD-L1 antibody) in these regions. There are currently no issued patents or pending patent applications relating to the CTLA-4 antibody, which has the same amino acid sequence as ipilimumab (Yervoy®), the CTLA-4 antibody approved by the U.S. FDA. The one pre-clinical drug candidate that we are still pursuing has not reached the stage for WuXi Biologics to transfer the patents or patent applications to us yet, both Mainland China, Hong Kong SAR, Macau SAR and Taiwan or the

ex-China Territory. We are required to pay single-digit percentage royalties that vary from candidate to candidate on sales generated on all drug candidates under the WuXi Biologics Contract, which will cease upon the expiration of the applicable patent in connection with a particular candidate.

Unless terminated earlier, the WuXi Biologics Contract will expire when all obligations are fully performed pursuant to its terms. Unilateral termination by either party is permitted upon three months' notice or a material breach by the other party, including material violation of the United States Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, or other anti-corruption laws and regulations. When terminated upon three months' notice or a material breach by us, we are obligated to pay WuXi Biologics R&D expenses incurred by WuXi Biologics as of the date of termination. When terminated upon a material breach by WuXi Biologics, WuXi Biologics is obligated to return to us any prepaid R&D expenses relating to projects that have not been completed as of the date of termination. When terminated upon a material breach by either party, the non-breaching party may seek damages from the breaching party.

While WuXi Biologics retained its rights relating to CS1001 (PD-L1 antibody) in the ex-China Territory under the WuXi Biologics Contract, we entered into the WuXi Ex-China Agreement with WuXi Biologics in February 2018, under which WuXi Biologics, a joint applicant for the PCT application relating to CS1001 (PD-L1 antibody), with the authorization of the other joint applicant for such PCT application, granted us an exclusive license to commercialize, develop and manufacture CS1001 and any products that contain CS1001 in the ex-China Territory. Under the WuXi Ex-China Agreement, we have the sole authority and control over the development (including the rights to determine and perform R&D and clinical trials) and commercialization of the Compound and Products in the ex-China Territory. WuXi Biologics is not involved in any of the clinical activities of CS1001 except for manufacturing and supplying clinical trial drugs and has no role in the decision-making process for the clinical development of CS1001. We are also responsible for any regulatory filings in the ex-China Territory, with WuXi Biologics providing support in fulfilling the requirements for approval of such regulatory filings. We are required to share a portion of our profits generated on CS1001 in the ex-China Territory. For details, see "– Collaboration and Licensing Agreements – Collaboration with WuXi Biologics."

WuXi AppTec

WuXi AppTec is a global pharmaceutical R&D services platform and its subsidiaries are amongst our top five suppliers during the Track Record Period. As of the Latest Practicable Date, WuXi AppTec indirectly held approximately 17.3% of limited partner interests in WuXi Healthcare Ventures Fund II, a controlling shareholder of our Company; accordingly, WuXi AppTec is not considered to be a connected person of our Company under the Listing Rules.

We entered into R&D CRO contracts with WuXi AppTec (Shanghai) Co. Limited ("**WuXi AppTec Shanghai**"), a subsidiary of WuXi AppTec, pursuant to which WuXi AppTec Shanghai is responsible for conducting pre-clinical R&D activities. We will pay WuXi AppTec Shanghai for the R&D services and after fulfillment of certain R&D milestones under the relevant contract, WuXi AppTec Shanghai will transfer the intellectual property generated in the R&D process to us. In consideration of WuXi AppTec Shanghai's contribution in the R&D process, WuXi AppTec Shanghai will receive single-digit royalty payments for the domestic and international sales revenue of each product generated in relation to such intellectual property. Our obligation to make royalty payments to WuXi AppTec Shanghai will cease upon the expiration of the intellectual property rights generated in the R&D process.

We are still pursuing MEK (CS3006), CDK4/6 (CS3002), HDAC6 (CS3003) inhibitors and certain other pre-clinical drug candidates under the relevant R&D CRO contracts with WuXi AppTec.

Our Directors confirm that the transactions between our Group and WuXi AppTec have been, and will continue to be, conducted on an arm's-length basis and on normal commercial terms in the ordinary and usual course of the Group's business. The Company will arrange for its independent non-executive Directors to further ensure the fairness and reasonableness of agreements with WuXi Entities by (i) reviewing these agreements and benchmarking against the terms of agreements with other CROs to check parity; (ii) comparing against a list of key qualitative and quantitative CRO contractual terms including pricing provisions, duration and scope of service, payment terms, quality of deliverables, timeliness of data entry and stability of team members assigned so that all contracts with CROs fall within the acceptable range.

No Reliance on WuXi Entities

Our transactions with the WuXi Entities are conducted based on normal commercial terms. WuXi Entities are currently suppliers that we primarily engage for providing CRO services and the agreements between us and the WuXi Entities are consistent with market and industry standard. As our development activities shift from focusing on the pre-clinical and early clinical stages to late clinical stage development and commercialization of its drug candidates, we will increasingly broaden the pool of suppliers and service providers to meet its evolving needs. Further, Frost & Sullivan, our independent industry consultant, has advised us that they are not aware of any particular circumstances we would face in finding CROs, service providers and suppliers other than the WuXi Entities, to meet our business needs. In view of the above, we believe there is no undue reliance on the WuXi Entities as our suppliers.

CMC

Our CMC team serves functions such as process development, scale-up, optimization, characterization and validation; control method development and validation; and technology transfer and assessment. Based in our facilities in Suzhou, our CMC team provides pre-clinical and clinical support throughout the drug development process.

Our CMC capability includes the following functions:

- *Pre-clinical support*. Seamlessly integrated into our drug discovery and development process, our CMC team supports, supervises and guides our third-party CROs. Our CMC team also evaluates drugability of potential drug candidates during in-licensing evaluation processes.

- *Clinical support*. During the clinical trial stage, our CMC team manages clinical trial material supply by monitoring and providing guidance to our CMOs, who ensure product quality and best-practice supply chain operations.

Our CMC team will also be in charge of managing the manufacturing process in the future as we build an in-house manufacturing facility.

Manufacturing

We currently outsource the production of drug candidates to a limited number of industry-leading, highly reputable CMOs. We have adopted procedures to ensure that the production qualifications, facilities and processes of our CMOs comply with the relevant regulatory requirements and our internal guidelines. We select our CMOs by reviewing a number of factors, including their qualifications, relevant expertise, production capacity, geographic proximity, reputation, track record, product quality, reliability in meeting delivery schedules, and terms offered by them. We commission these industry leading CMOs to develop and manufacture active pharmaceutical ingredients to support our clinical development. To monitor and evaluate service performed by our CMOs, we set a series of pre-defined specifications on in-process control and release tests, and review manufacturing related documents including batch records and quality control test results to ensure specifications are met. In addition, we conduct annual audit and when there is deviation from process protocol, ad hoc special audit on our CMOs. Pursuant to our collaboration and licensing agreements with Blueprint and Agios, we will enter into supply agreements with Blueprint and Agios or their third-party partners to obtain supply materials for the relevant in-licensed drug candidates. We intend to procure ivosidenib from Agios or its third-party partners to support our clinical trials in China under the supply agreements. When ivosidenib is approved for marketing in China, we plan to continue to procure ivosidenib from Agios or its third-party partners to support our initial commercialization in China under the supply agreements and only thereafter may build our own manufacturing site to manufacture ivosidenib under the non-exclusive manufacturing license granted by Agios in the Agios Agreement.

We do not currently have any planned capacity or production related technology. With the first wave of potential launches of our late stage drug candidates in the near future and further product launches expected from our pipeline, we intend to adopt a hybrid manufacturing model that employs CMO outsourcing to secure product supply, and utilizes in-house manufacturing capabilities as business need arises. We plan to build manufacturing facilities for both small molecules formulations and biologics at commercial scale to ensure a timely and stable drug supply, serve as a pricing benchmark, and accumulate internal know-how. We are in the process of site selection for the manufacturing facility and intend to commence construction afterwards. In addition, we entered into an agreement with WuXi Biologics in November 2018 relating to the manufacturing of PD-L1 in anticipation of its commercialization.

Manufacturing is subject to extensive regulations that impose various procedural and documentation requirements governing recordkeeping, manufacturing processes and controls, personnel, quality control, and quality assurance, among others. We plan to design our manufacturing to operate under GMP requirements in China and globally. We plan to hold, and our future manufacturing facilities are planned to operate under, a pharmaceutical manufacturing license issued by the NMPA.

RAW MATERIALS AND SUPPLIERS

We do not procure raw materials because we currently do not have manufacturing facilities. Our current suppliers are primarily contract research organizations (CROs) and laboratory equipment suppliers for our R&D activities.

We procure laboratory supplies for the research and development of our drug candidates from reputable suppliers around the world. We select our suppliers by considering their quality, industry reputation and compliance with relevant regulatory agencies. We use CROs and consultants that manage, conduct and support our clinical trials and pre-clinical studies. For further details, see "Research and Development."

For the two years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, our purchases from our five largest suppliers in the aggregate accounted for 100.0%, 98.8% and 93.7% of our total purchases, respectively, and purchases from our largest supplier alone accounted for 66.6%, 65.2% and 45.9% of our total purchases, respectively.

The tables below set forth the top five suppliers for each year/period during the Track Record Period.

Year ended December 31, 2016	Purchase amount	% of total purchase amount	Company background and operating scale
	(RMB'000)		
WuXi Biologics Group	159,547	66.6	WuXi Biologics is a Hong Kong listed company (stock code: 2269) and a leading biologics services provider with a revenue of RMB989.0 million in 2016.
WuXi AppTec Group	79,644	33.2	WuXi AppTec is a Hong Kong listed company (stock code: 2359) and a global pharmaceutical R&D services platform with a revenue of RMB6.1 billion in 2016.
Supplier A	242	0.1	With more than 700 employees, Supplier A is a PRC government agency that provides testing services for products such as pharmaceutical products, biological products and medical devices.
Supplier B	130	0.1	With over 700 employees worldwide and headquartered in Beijing, Supplier B provides preclinical study services focusing on immuno-oncology and therapeutic antibody R&D services.

Year ended December 31, 2017	Purchase amount	% of total purchase amount	Company background and operating scale
	(RMB'000)		
WuXi Biologics Group	113,780	65.2	WuXi Biologics is a Hong Kong listed company (stock code: 2269) and a leading biologics services provider with a revenue of RMB1.6 billion in 2017.
WuXi AppTec Group	56,667	32.5	WuXi AppTec is a Hong Kong listed company (stock code: 2359) and a global pharmaceutical R&D services platform with a revenue of RMB7.8 billion in 2017.
Supplier C	1,360	0.8	Supplier C is a private company headquartered in Taipei, Taiwan that provides drug discovery solutions and outsourced research services in Asia, Europe and North America.
Supplier A	391	0.2	With more than 700 employees, Supplier A is a PRC government agency that provides testing services for products such as pharmaceutical products, biological products and medical devices.
Supplier D	306	0.2	Supplier D is one of the first hospitals in China specializing in oncology and a grade A tertiary hospital that engages in clinical practice, medical education, oncological research and cancer prevention.

Nine months ended September 30, 2018	Purchase amount	% of total purchase amount	Company background and operating scale
	(RMB'000)		
Blueprint Medicines Corporation	256,576	45.9	Blueprint is a Nasdaq listed company (NASDAQ: BPMC), renowned for discovering and developing kinase targeting medicines for patients with genomically defined diseases. In 2017, Blueprint's total revenue was USD21.4 million.
WuXi Biologics Group	131,970	23.6	WuXi Biologics is a Hong Kong listed company (stock code: 2269) and a leading biologics services provider with a revenue of RMB1.6 billion in 2017.
Agios Pharmaceuticals Inc.	79,399	14.2	Agios is a Nasdaq listed company (NASDAQ: AGIO), renowned in the field of cellular metabolism to treat cancer and rare genetic diseases. In 2017, Agios's total revenue was USD43.0 million.
WuXi AppTec Group	48,189	8.6	WuXi AppTec is a Hong Kong listed company (stock code: 2359) and a global pharmaceutical R&D services platform with a revenue of RMB7.8 billion in 2017.
Supplier E	7,545	1.4	Supplier E is a private biopharmaceutical outsourcing services company headquartered in the U.S. with offices in more than 50 countries. Supplier E provides comprehensive drug development outsourcing services.

To the best of our knowledge, all of our five largest suppliers during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

In addition, we believe that adequate alternative sources for such supplies exist and we have developed alternative sourcing strategies for these supplies. We will establish necessary relationships with alternative sources based on supply continuity risk assessment. Other than the agreements with certain CROs, we order supplies and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

COMPETITION

The pharmaceutical and biopharmaceutical industries are characterized by rapidly advancing technologies, competition and a strong emphasis on proprietary drugs. While we believe that our development experience and scientific knowledge provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biopharmaceutical companies, academic institutions and public and private research institutions. Any drug candidates that we successfully develop and commercialize will compete with existing drugs and new drugs that may become available in the future.

We operate in the segments of the pharmaceutical, biopharmaceutical and other related markets that address oncology diseases. There are other companies working to develop similar therapies in these fields. These companies include divisions of large pharmaceutical companies and biopharmaceutical companies of various sizes.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical, biopharmaceutical and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies or products complementary to, or necessary for, our programs.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer or more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any drugs that we or our collaborators may develop. Our competitors also may obtain U.S. FDA, NMPA or other regulatory approval for their drugs earlier than we obtain approval for ours, which could result in our competitors establishing a strong market position before we or our collaborators are able to enter the market. The key competitive factors affecting the success of all of our drug candidates, if approved, are likely to be their efficacy, safety, convenience and price, the effectiveness of companion diagnostics in guiding the use of related therapeutics, the level of generic competition, and the availability of reimbursement from government and other third-party payors.

For competitive landscape of our specific drug candidates, please refer to "– Our Drug Candidates".

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our principal insurance policies cover property loss due to accidents or natural disasters and AEs in clinical trials. We do not maintain product liability insurance or key-man insurance.

EMPLOYEES

The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date:

Function	Number	% of Total
Research and Development	116	74
Sales, General and Administrative	41	26
Total	157	100

As of the Latest Practicable Date, we had 115 employees in Shanghai, 16 employees in Suzhou and 26 employees in other regions of China and overseas. In anticipation of the launch of our late stage drug candidates, we plan to develop our commercialization team into a team of about 100 employees by 2020. See the section headed "Commercialization" for more details. We currently have a 116-member R&D team; we plan to double the size of our R&D team by the end of 2019 to support our Core Product Candidate and the further development of other drug candidates in our pipeline.

Employment Agreements with Key Management and Research Staff

We enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for one year after the termination of his or her employment. Employees also sign acknowledgments regarding assignment of inventions and discoveries made during the course of his or her employment pursuant to our Service Invention Reward and Remuneration Policy. For further details regarding the terms of confidentiality and employment agreements with our key management, see "Directors and Senior Management" in this prospectus.

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations. None of our employees are currently represented by labor unions.

Training and Development

We provide formal and comprehensive company-level and department-level training to our new employees, followed by on-the-job training. We also provide training and development programs to our employees from time-to-time to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

Employee Benefits

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. As of the Latest Practicable Date, we had complied with all statutory social security insurance fund and housing fund obligations applicable to us under Chinese laws in all material aspects.

LAND AND PROPERTIES

We rent the 2,199 m^2 of office space in Suzhou for Suzhou TMRC, and we continue to use this space for research and administrative functions. The relevant rental agreement provides a rental term that expires in October 2020. We have the right of first refusal to renew the lease, provided that we notify the lessor three months before the expiration of the rental agreement. We also rent 1,724 m^2 of office space in Shanghai for administrative functions. The relevant rental agreement provides a rental term that expires in September 2020. We have the right to negotiate renewal of the lease by notifying the lessor six months before the expiration of the rental agreement.

In addition to our office space in Suzhou and Shanghai, we rent 300 m^2 of office space in Beijing for administrative functions. The relevant agreement provides a rental term that expires in December 2019.

INTELLECTUAL PROPERTY

Intellectual property rights are important to the success of our business. Our future commercial success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, we filed two patent applications in China, and co-filed two patent applications under PCT for material intellectual properties. For the two co-filed PCT applications, we will become the sole applicant after fulfillment of our payment obligations and certain R&D milestones pursuant to the R&D CRO contracts we entered into with WuXi AppTec Shanghai. For details, please refer to "– Our Relationship with CROs – Our Relationship with WuXi Biologics and WuXi AppTec – WuXi AppTec." Additional patent applications filed by contractor for two other assets will be transferred to us after these projects are accomplished according to contracts. We are also pursuing additional patent protection for our drug candidates and technologies.

The patent portfolios for our three clinical stage drug candidates as of the Latest Practicable Date are summarized below:

CS1001 (PD-L1 antibody). We filed one pending Chinese invention patent application directed against PD-L1 and its use for the treatment of cancer. Any patents that may issue from the currently pending Chinese patent application would be expected to expire in 2036, not including any patent term adjustments. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries. As of the Latest Practicable Date, we were not aware of any concerns or issues raised by the relevant PRC authorities regarding the patent application relating to CS1001 (PD-L1 antibody).

CS1003 (PD-1 antibody). We filed one pending Chinese invention patent application directed against PD-1 and its use for the treatment of cancer. Any patents that may issue from the currently pending patent application in China would be expected to expire in 2036, not including any patent term adjustments. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

CS3006 (MEK inhibitor). We co-filed one PCT application directed against the molecule of CS3006 with our collaboration partner, and those applications will be fully transferred to CStone. Such PCT application was transferred to us as the sole applicant in January 2019. Any patents that may issue from the current PCT application would be expected to expire in 2038, not including any patent term extension. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

The following table summarizes the details of the material granted patents and filed patent applications by the Company or by our strategic partners in connection with our clinical and pre-clinical drug candidates.

Summary of patents and patent applications of our product candidates

Product	Scope of patent protection	Jurisdiction	Patent status	Applicant	Patent expiration[1]	Market commercial rights of CStone
ivosidenib (CS3010, AG-120)	Directed to the molecule and methods of use of ivosidenib in the treatment of cancer	PCT, Macau SAR, China and Taiwan	Granted	Agios	2033	Exclusive license to commercialize in Mainland China, Hong Kong SAR, Macau SAR and Taiwan
		Hong Kong SAR	Pending			
	Directed to the use of ivosidenib in combination therapies for the treatment of cancer	PCT (entered into nationalisation phase)	Pending	Agios and Celgene Corporation	2036	Non-exclusive license to develop and commercialize worldwide
	Directed to method of treatment for cancer with ivosidenib	PCT (entered into nationalisation phase) and Taiwan	Pending	Agios	2037	Exclusive license to commercialize in Mainland China, Hong Kong SAR, Macau SAR and Taiwan
avapritinib (CS3007, BLU-285)	Directed to the molecule composition of avapritinib (CS3007)	China, Taiwan and Hong Kong SAR	Pending	Blueprint	2034	Exclusive license to develop and commercialize in Mainland China, Hong Kong SAR, Macau SAR and Taiwan
CS3009 (BLU-667)	Directed to the molecule composition of BLU-667	China and Taiwan	Pending	Blueprint	2036	Exclusive license to develop and commercialize in Mainland China, Hong Kong SAR, Macau SAR and Taiwan
CS3008 (BLU-554)	Directed to the molecule genus of BLU-554	China and Taiwan	Granted	Blueprint	2033	Exclusive license to develop and commercialize in Mainland China, Hong Kong SAR, Macau SAR and Taiwan
		Hong Kong SAR	Pending			
	Directed to the molecule species of BLU-554	China, Hong Kong SAR and Taiwan	Pending	Blueprint	2034	Exclusive license to develop and commercialize in Mainland China, Hong Kong SAR, Macau SAR and Taiwan

Product	Scope of patent protection	Jurisdiction	Patent status	Applicant	Patent expiration[1]	Market commercial rights of CStone
CS1001 (PD-L1 antibody)[2]	Directed to the molecule of CS1001	China	Pending	Company Tuo Shi Pharmaceuticals (Shanghai) Co., Ltd. CStone Pharmaceuticals (Suzhou) Co., Ltd.	2036	All rights in Mainland China, Hong Kong SAR, Macau SAR and Taiwan
	Directed to the molecule of CS1001	PCT (entered into nationalisation phase)	Pending	WuXi Biologics (Shanghai) Co., Ltd. Open Monoclonal Technology, Inc.	2036	Exclusive license to commercialize, develop and manufacture outside of China, Hong Kong SAR, Macau SAR and Taiwan
CS1003 (PD-1 antibody)[2]	Directed to the molecule of CS1003	China	Pending	Company Tuo Shi Pharmaceuticals (Shanghai) Co., Ltd. CStone Pharmaceuticals (Suzhou) Co., Ltd.	2036	All rights in Mainland China, Hong Kong SAR, Macau SAR and Taiwan
	Directed to the molecule of CS1003	PCT	Pending	WuXi Biologics (Shanghai) Co., Ltd.	2036	All rights worldwide
CS3006 (MEK inhibitor)	Directed to the molecule of CS3006	PCT (national phase filings to be made)	Pending	Company Tuo Shi Pharmaceuticals (Shanghai) Co., Ltd. CStone Pharmaceuticals (Suzhou) Co., Ltd.	2038	All rights worldwide
CS3002	Directed to the molecule of CS3002	PCT	Pending	Company MedShine Discovery Inc.[3]	2038	All rights worldwide
CS3003	Directed to the molecule of CS3003	PCT	Pending	MedShine Discovery Inc.[3]	2038	All rights worldwide

Notes:

(1) Patent expiration date is estimated based on current filing status. No patents are eligible for extension based on current laws and regulations.

(2) WuXi Biologics (Shanghai) Co., Ltd., an affiliate of WuXi Biologics, transferred its rights to such patent application and future issued patents for CS1001 (PD-L1 antibody) to us in Mainland China, Hong Kong SAR, Macau SAR and Taiwan in March 2017 pursuant to the terms of the research and development agreement among us, WuXi Biologics (Hong Kong) Limited and WuXi Biologics dated February 2016. Pursuant to the license agreement among us and WuXi Biologics dated February 2018, we obtained an exclusive license from WuXi Biologics, with the authorization of a third-party joint applicant, to the PCT application relating to CS1001 to commercialize, develop and manufacture CS1001 and products containing CS1001 worldwide in the ex-China Territory. Ownership of the PCT application and future issued patents in the ex-China Territory remain with WuXi Biologics and the third-party joint applicant. For details, see "– Collaboration and Licensing Agreements – Collaboration with WuXi Biologics" and "– Our Relationship with CROs – Our Relationship with WuXi Biologics and WuXi AppTec – WuXi Biologics".

(3) MedShine Discovery Inc. (南京明德新藥研發股份有限公司), an affiliate of WuXi AppTec Shanghai, will transfer its rights to the relevant patent application and future issued patents worldwide upon certain conditions pursuant to the terms of the research and development agreements entered into among us and WuXi AppTec (Shanghai) Limited (successor of WuXi AppTec (Hong Kong) Limited). For details, see "– Our Relationship with CROs – Our Relationship with WuXi Biologics and WuXi AppTec – WuXi AppTec".

Abbreviation: PCT = Patent Cooperation Treaty.

The term of individual patents may vary based on the countries in which they are obtained. In most countries in which we file patent applications, including China and the United States, the term of an issued patent is generally 20 years from the filing date of the earliest non-provisional patent application on which the patent is based in the applicable country. In the United States, a patent's term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office, or USPTO, in excess of a patent applicant's own delays during the prosecution process, or may be shortened if a patent is terminally disclaimed over a commonly owned patent having an earlier expiration date.

In addition, with respect to any issued patents in the United States and Europe, we may be entitled to obtain an extension of the patent's term provided we meet the applicable requirements for obtaining such patent term extensions. For example, in the United States, we may apply for a patent term extension of up to five years as compensation for the patent term lost during clinical trials and the U.S. FDA regulatory review process under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The exact duration of the extension depends on the time we spend in clinical studies, as well as getting an NDA approval from the U.S. FDA. However, a patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. In certain other foreign jurisdictions, similar extensions as compensation for regulatory delays are also available.

The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country and the validity and enforceability of the patent. We cannot provide any assurance that patents will issue with respect to any of our owned or licensed pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned or licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We may rely, in some circumstances, on trade secret and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, scientific advisors and contractors, and invention assignment agreements with our employees. We have entered into confidentiality agreements and non-competition agreements with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we use to employ each of our employees, contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.

These agreements may not provide sufficient protection of our trade secrets and/or confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secrets and/or confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secrets and/or confidential information may become known or be independently developed by a third party, or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See "Risk Factors – Risks Relating to Our Business – Risks Relating to Our Intellectual Property" for a description of risks related to our intellectual property.

We conduct our business under the brand name of "CStone Pharmaceuticals" ("基石藥業"). As of the Latest Practicable Date, we had filed 14 trademark applications in China and 28 trademark applications in other jurisdictions. We are also the registered owner of one domain name.

We enter into collaboration agreements and other relationships with pharmaceutical companies and other industry participants to leverage our intellectual property and gain access to the intellectual property of others. See "– Collaboration and Licensing Agreements."

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

See "Appendix V – Statutory and General Information – Further Information about Our Business – 2. Intellectual property rights" to this prospectus for further information.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, we are not a party to any actual or threatened material legal or administrative proceedings. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

ENVIRONMENTAL MATTERS AND WORKPLACE SAFETY

We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees, patients and communities. We have implemented company-wide environmental, health and safety (EHS) manuals, policies and standard operating procedures that include management systems and procedures relating to emissions of air, water and other media; wastewater generation and treatment; process safety management; handling, use, storage, treatment and disposal of hazardous substances; worker health and safety requirements; third-party safety management; emergency planning and response; and product stewardship.

Our EHS function is responsible for monitoring and enforcing the compliance of our operations with environment, health and safety laws and regulations. This responsibility is executed through formulation and implementation of strategies, policies, standards and metrics; communication of EHS policies and procedures; EHS audits; and incident response planning and implementation with a team of volunteer first responders. We also have consultants such as Suzhou Shitai Daxin Standards Co., Ltd. and Jiangsu Yiju Property Consulting Service Co., Ltd. on an as-needed basis to help us in building, maintenance and improvement of our EHS system.

Certain specialized areas of responsibility are assigned to teams with relevant expertise and experience. For instance, our biosafety subject matter experts are responsible for biosafety training, compliance of our operations with biosafety-related legal requirements, biosafety risk assessment and review of corrective actions and preventative actions (CAPA) that we will take upon the occurrence of any biosafety emergency. We have also retained the subject matter expert Suzhou Hongyu Environmental Technologies Inc. as a consultant for EHS matters.

We have not had any significant workplace accidents in the history of our Company.

PERMITS, LICENSES AND OTHER APPROVALS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global pharmaceutical markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other pharmaceutical companies. See "Risk Factors" for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See "Financial Information – Quantitative and Qualitative Disclosure about Market Risk" for a discussion of these market risks.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Our audit committee, and ultimately our Directors, supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control:

Our audit committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

Our Chief Financial Officer, Mr. Richard Yeh, will be responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our audit committee on our material risks.

The relevant departments in our Company, including the finance department, the legal department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could

potentially affect their objectives; (iii) prepare a risk management report annually for our CEO's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an internal control consultant (the "**Internal Control Consultant**") to perform certain agreed-upon procedures (the "**Internal Control Review**") in connection with the internal control during the period from August 2017 to July 2018 of our Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, procurement, accounts payable and payment, fixed assets, human resources and payroll management, cash and treasury management, general controls of IT system, insurance management, contract management, outsourcing management, IP management, research and development and intangible assets. The Internal Control Consultant performed the Internal Control Review in September 2018 and a follow-up review in October 2018. As of the Latest Practicable Date, there were no material internal control findings.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety. For more information, see "– Intellectual Property Protection" and "– Environmental Matters and Workplace Safety." We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisors, will also periodically review our compliance status with all relevant laws and regulations after the Listing.

- We plan to establish an audit committee on after the Listing, which will (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of our Group.

- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

We intend to maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities after we obtain marketing approvals for our drug candidates. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, and limitations on industry-sponsored scientific and educational activities.

Investment Risk Management

We engage in short-term investments with surplus cash on hand. Our primary objective for short-term investments is to preserve principal through the minimization of both default and market risk. Our finance department, under the supervision of our Chief Financial Officer, is responsible for managing our short-term investment activities. Before making a proposal to invest in wealth management products, our financial department must assess our cash flow and operational needs and capital expenditures.

We operate under a board approved investment policy which governs the investment of our funds, which is reviewed from time to time by our Board. We will only make short-term investments in U.S. government securities, U.S. corporate securities which are publicly traded, U.S. municipal securities, U.S. money bank obligations and money market funds. To ensure a diversified portfolio holding, no purchase of any single issuer can represent more than five percent of the total portfolio market value at the time of purchase, with the exception of the U.S. government, its agencies, or municipals defeased with U.S. government securities for which no limit is imposed.

Our investment strategy strives to minimize risk by reasonably and conservatively matching the maturities of the portfolio securities to anticipated operating cash requirements. Our investment decisions are made on a case-by-case basis that considers multiple factors, such as general market conditions and the anticipated benefit and potential loss of the investment.

Our portfolio to date have been required to hold only instruments with an effective final maturity of 24 months or less, with effective final maturity being defined either as the obligation of the issuer to repay principal and interest or the discretionary ability to put the security back to the issuer. The initial target range for the average maturity of our portfolio is 12 months. Our investments to date have been required to be denominated and held in U.S. dollars with readily ascertainable market value. Our investments do not participate in any derivative securities or bank loans. There have been no cases of deviation from our investment policy to date.

We believe that our internal investment policies and the related risk management mechanism are adequate. We may make investments that meet the above criteria after consultation and approval by our board where we believe it is prudent to do so after the Listing.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, WuXi Healthcare Ventures directly held approximately 36.72% of the issued share capital in the Company. WuXi Healthcare Management, LLC, as the general partner of WuXi Healthcare Ventures, is accordingly entitled to control approximately 36.72% of the issued share capital in the Company. Therefore, WuXi Healthcare Ventures and WuXi Healthcare Management, LLC are the Controlling Shareholders before Listing.

Immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any additional Shares which may be issued pursuant to the Share Incentivization Schemes), WuXi Healthcare Ventures will hold approximately 29.76% of the issued share capital of our Company. Accordingly, WuXi Healthcare Ventures and its general partner WuXi Healthcare Management, LLC will be our largest shareholders immediately after the Listing.

For the background of our Controlling Shareholders, please refer to the section headed "History, Development and Corporate Structure" in this prospectus.

CLEAR DELINEATION OF BUSINESS

WuXi Healthcare Ventures is a healthcare fund with a diverse portfolio of investee companies in the healthcare sector. As of the Latest Practicable Date, other than the interest in our Company, the Controlling Shareholders had controlling interests in LifeMine Therapeutics Inc. ("**LifeMine**") and PICA Health Technologies Ltd. ("**PICA Health**").

To the best knowledge of our Group, LifeMine is a pre-clinical stage company based in the United States that primarily engages in drug discovery and development from eukaryotic microbes (such as fungi and algae). LifeMine is a biotech company that combines genomics with artificial intelligence and synthetic biology so as to mine various fungal genomes to discover nature products for medical usage. Genomicists, bioinformaticians and microbiologists employed by LifeMine identify new evolutionary solutions for disease intervention; natural products chemists access the natural molecules that inspire its drug discovery efforts; biologist and chemist drug hunters craft these into medicines and translational medical scientists bring the life-saving solutions forward into patients in need.

PICA Health is a Chinese company headquartered in Shanghai that operates medical education and training platform, empowering community physicians to become experts in chronic disease management. It is a medical service provider specializing in the IT consulting and services sector.

The Company is a clinical-stage biopharmaceutical company focusing on the development and commercialization of innovative protein-based immuno-oncology drugs and novel combination therapies to address significant medical needs in cancer treatment. As described above, LifeMine and PICA Health have different businesses from our Company. Accordingly, the other businesses and companies in which the Controlling Shareholders had controlling interests are different in nature from our Group's business.

As of the Latest Practicable Date, except through our Group, none of our Controlling Shareholders, directly or indirectly, hold 10% or more equity interests in any other company which is principally engaged in a business similar to the principal business of the Company, and accordingly is not subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

After considering the following factors, our Directors are of the view that our Company is capable of independently carrying on our business from, and does not place undue reliance on, our Controlling Shareholders:

(a) Financial Independence

Our Company has an independent financial system and makes financial decisions according to our own business needs. As of the Latest Practicable Date, none of our Controlling Shareholders and their close associates had provided any direct or indirect financing other than equity investment for our operations or any credit support (whether by way of guarantees or otherwise) in respect of any financing obtained by us from third party sources.

Our Directors believe that, upon Listing, our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders and their close associates.

Based on the above, our Directors are of the view that we are able to operate financially independently from our Controlling Shareholders.

(b) Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our finance, audit and control, sales and marketing, human resources, administration or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We have access to suppliers independent of our Controlling Shareholders. We are also in possession of all relevant licenses and own all relevant intellectual properties and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders. Our Directors do not expect that there will be any transactions between our Company and our Controlling Shareholders and their close associates upon or shortly after the Listing.

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders after the Listing.

(c) Management Independence

Upon the date of this prospectus, our Board of Directors will consist of nine Directors, comprising one executive Director, five non-executive Directors and three INEDs. The table below sets forth the overlapping director between our Company on the one hand and our Controlling Shareholders and their close associates on the other hand:

Name	Position in our Company	Positions at our Controlling Shareholders and their close associate
Dr. Wei Li	non-executive Director	director of PICA Health, and a holder of minority interest in WuXi Healthcare Management, LLC

Save as disclosed above, none of the remaining members of our Board and senior management holds any position in our Controlling Shareholders or their close associates.

Despite the aforesaid overlapping director, our Directors (excluding Dr. Wei Li) believe that our Company and our management team are able to operate the Company's business independently from our Controlling Shareholders due to the following reasons:

(i) The daily operation of our Company is managed by our experienced executive Director and senior management team that are independent from the Controlling Shareholders and their close associates:

(a) our CEO, sole executive Director and Chairman of our Board, Dr. Frank Ningjun Jiang, has extensive experience in the management and medical industry. He oversees and manages the day-to-day operation of our Company with support from our Company's experienced senior management team, and is responsible for our business operation. As at the Latest Practicable Date, Dr. Frank Ningjun Jiang did not hold any management positions in our Controlling Shareholders or any of their close associates; and

(b) of the nine Directors of our Company, Dr. Wei Li, a non-executive Director, holds interest or positions in WuXi Healthcare Management, LLC and PICA Health. However, as a non-executive Director, he does not participate in the daily operation and management of our Company, and only participates in the decision-making process for significant matters, such as our operational strategy (subject to measures conflicts of interest to avoid and address as described below).

(ii) Each of our Directors is fully aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and our Shareholders as a whole, and does not allow any conflict between his duties as a Director and his personal interest to exist.

(iii) Our Directors believe that our Board has a balanced composition of executive, non-executive Directors and INEDs, which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our INEDs account for one-third of the Board; (b) our INEDs do not and will not take up any position in the Controlling Shareholders or their close associates; (c) our INEDs, details of whom are set out in the section headed "Directors and Senior Management" in this prospectus, together possess the requisite industry knowledge and experience for their views to carry weight; and (d) all of our INEDs are qualified to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our INEDs are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole.

(iv) Upon Listing, our Company will establish the following corporate governance measures to avoid and address any potential conflicts of interest as a result of the overlapping director between us and our Controlling Shareholders and their close associates. Therefore, the Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Shareholders as a whole:

(a) The decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that Directors who are connected with the corporations involved in the matters to be resolved at the Board meeting shall declare their interest and shall neither vote on such resolution nor vote on behalf of other Directors;

(b) The INEDs shall give their independent opinions to the Shareholders on the relevant connected transaction(s) pursuant to the Listing Rules;

(c) Our Directors shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal with the Controlling Shareholders and their close associates in which they have a material interest. In such a situation, our Directors who do not have any ongoing role with the Controlling Shareholders and their close associates will vote and decide on such matters. In this context, a conflict, so far as our Company is concerned, will be taken to include any matter in which the Controlling Shareholders and their close associates have a direct or indirect interest;

(d) Our Directors (including the INEDs) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Code;

(e) Any transactions between our Company and its connected persons shall be in compliance 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; and

(f) Our Company has appointed Somerley Capital Limited as our Compliance Adviser and will appoint a Hong Kong legal advisor upon completion of the Listing, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Therefore, the Directors believe that our Company has sufficient and effective corporate governance mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of the Company and our Shareholders as a whole.

Based on the above, the Directors believe that our management team is independent from the Controlling Shareholders and their close associates, that our Company can operate its business independently from the Controlling Shareholders and their close associates, and that all of our Directors have relevant experience and ability to ensure proper and effective operation of the Board.

Confirmation

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing without unduly relying upon them, taking into consideration the factors stated above.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our audited consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance 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. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this prospectus, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are a clinical-stage biopharmaceutical company focused on developing and commercializing innovative immuno-oncology and molecularly targeted drugs to address significant unmet medical needs in cancer treatment. Our vision is to become globally recognized as a leading Chinese biopharmaceutical company by bringing innovative and differentiated oncology therapies to cancer patients worldwide. Founded in 2015, we have a rich oncology pipeline that presents significant mono- and combination-therapy potential and synergies. Our current portfolio includes 14 drug candidates, among which are four late-stage drug candidates at or potentially near pivotal trials. For more information on our drug candidates, see "Business" in this prospectus.

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses in each year since inception. Our total comprehensive expenses were RMB253.1 million, RMB344.0 million and RMB1,160.6 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, respectively. Substantially all of our operating losses resulted from research and development expenses and administrative expenses.

We expect to incur significant expenses and operating losses for at least the next several years as we further our pre-clinical research and development efforts, continue the clinical development of, and seek regulatory approval for, our drug candidates, launch commercialization of our pipeline products, and add personnel necessary to operate our business. Subsequent to the Listing we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, regulatory approval timeline and commercialization of our drug candidates after approval.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on December 2, 2015. Our Company, as the holding company of our business, indirectly owns subsidiaries in China that are principally engaged in research and development of biopharmaceutical products. See "History, Development and Corporate Structure" in this prospectus for more details. Our consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to commercialize our drug candidates, if approved for marketing. Our pipeline comprises of 14 oncology drug candidates ranging from pre-clinical to late-stage clinical programs, including nine drug candidates at clinical stage or IND stage. Although we currently have no products approved for commercial sale and have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years as they move toward the final stages of development. Our late-stage drug candidates at or potentially near pivotal trials are ivosidenib (CS3010), CS1001 (PD-L1 antibody), avapritinib (CS3007) and CS3009 (RET inhibitor). See "Business" in this prospectus for more information on the development status of our various drug candidates.

Milestone Payments and Royalties

Pursuant to our agreements with in-licensing partners, we have agreed to make certain payments when the in-licensed product candidates reach different milestones during the drug development process. In addition, we have agreed to pay royalties on our future drug sales contemplated under the licensing agreements and certain of our CRO contracts. The timing of these payments and the mix of future products sold (which may be subject to different royalties) will have an effect on our profitability. For details, see "Business – Licensing Agreements" and "Business – Our Relationship with CROs – WuXi Biologics".

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses and administrative expenses.

Since our inception, we have focused our resources on our R&D activities, including conducting pre-clinical studies and clinical trials, in-licensing, and activities related to regulatory filings for our drug candidates. Our research and development expenses primarily consist of:

- employee cost that consists of employee salaries and allowance, performance related bonus, retirement benefit scheme and share-based compensation expenses for research and development personnel;
- depreciation and amortization;
- licensing fees; and
- third-party contracting cost that represents our expenses relating to outsourced research and development activities (excluding licensing fees).

We expect research and development costs to increase significantly for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our drug candidates and as we move these drug candidates into additional clinical trials.

Our administrative expenses consist primarily of employee cost and professional fees. Other administrative expenses mainly include rental expenses, depreciation and amortization, travel expenses, office expenses and insurance expenses. We expect our administrative expenses to increase in future periods to support our drug development efforts and support any commercialization activities with respect to our drug candidates, if approved. We also anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, we did not incur any sales and marketing costs. Given our robust pipeline of drug candidates in clinical trials, especially the four late-stage drug candidates (ivosidenib (CS3010), CS1001 (PD-LI antibody), avapritinib (CS3007) and CS3009 (RET inhibitor)) at or potentially near pivotal trials, we are in the process of formulating our sales and marketing plan in anticipation of potential product launches in the coming years.

Funding for Our Operations

During the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, we funded our operations primarily through equity financing. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our commercialized drug products. However, with the continuing expansion of our business we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flow plan and our results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with IFRSs issued by the IASB. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We consider an accounting policy critical if it: (i) requires management to make judgments and estimates about matters that are inherently uncertain; and (ii) is important to the understanding of our financial condition and operating results. We believe the following accounting policies are most critical to our business operations and to an understanding of our financial condition and results of operations, and reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements. Our most critical accounting policies and estimates are summarized below. See note 4 and note 5 to the Accountants' Report set out in Appendix I for a detailed description of our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Share-based payment arrangements

Equity-settled share-based payment to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payment determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to accumulated losses.

Preferred Shares

Preferred Shares issued by the Company are classified as a compound instrument with an equity portion as the instrument does not include contractual obligation to deliver cash or other financial assets to holders and it is a non-derivative instrument that does not include contractual obligation for the issuer to deliver a variable number of its own equity instruments. Transaction costs relating to the equity component are recognised directly in equity.

A conversion feature of a compound instrument (such as the Preferred Shares) is classified separately as conversion option derivatives as the option will be settled other than by exchange of a fixed amount of cash or other financial assets for a fixed number of our equity instruments and is derivative financial liabilities. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and their fair value is subsequently remeasured at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Options granted by us to a non-controlling shareholder to convert its equity interests in a subsidiary of us to our Preferred Shares (the "**Share Purchase Option**") as set out in note 23 to the Accountant's Report as set out in Appendix I are accounted for as derivatives and are recognized at fair value upon initial recognition. Any changes of their fair values in subsequent reporting dates are recognized in the profit or loss.

Fair value of derivative financial liabilities

Our Company has issued Preferred Shares with conversion features and Share Purchase Option to investors during the Track Record Period as set out in note 23 to the Accountant's Report in Appendix I. We bifurcated the conversion features and classified the Share Purchase Option as financial liabilities at FVTPL of which no quoted prices in an active market exist. The fair value is established by using valuation techniques which include back-solve method and adopted equity allocation model. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our own specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of our Company, possibilities under different scenarios such as initial public offering and liquidation, time to liquidation and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the other financial liabilities at FVTPL. The fair values of the conversion features and Share Purchase Option are set out in note 23 to the Accountant's Report in Appendix I.

In relation to the valuation of the derivative financial liabilities, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of Preferred Shares agreements; (ii) engaged independent business valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the finanical statements of our Group are properly prepared.

Details of the fair value measurement of derivative financial liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 30 (c) to the Historical Financial Information of Group for the Track Record Period as set out in the accountants report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The reporting accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

In relation to the valuation analysis performed by valuer on derivative financial liabilities, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as contained in Appendix I and relevant documents provided by valuer; and (ii) discussed with the Company, the Reporting Accountants and the valuer about the key basis and assumptions for the valuation of derivative financial liabilities. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuer on the derivative financial liabilities.

Government grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are (i) receivable as compensation for expenses or losses already incurred or (ii) for the purpose of giving immediate financial support to us with no future related costs are recognised in profit or loss in the period in which they become receivable.

Early Application of IFRS 9

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments" for recognition and measurement for financial assets and liabilities. The new standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to apply IFRS 9 early, which has been applied consistently in the Track Record Period.

We have assessed the effects of early adoption of IFRS 9 on our financial statements and concluded that there was no significant impact on our financial position and performance except debt investments as compared to reporting under IAS 39, as below:

(1) all our financial assets and financial liabilities would be measured on the same bases under IFRS 9 and IAS 39;

(2) the application of expected credit loss model under IFRS 9 would not cause a material impact on the impairment loss allowance for our financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income during the Track Record Period as compared with the incurred loss model under IAS 39; and

(3) Debt investments were classified as debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Subsequent changes in the carrying amounts for debt investments classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt investments are recognised in other comprehensive income and accumulated under reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt investments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Since the Group has not recognised any impairment loss on its debt instruments, there is no significant impact to the amount recognised in profit or loss nor carrying amount as compared under IAS 39.

DISCUSSION OF CERTAIN KEY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2017 and 2016 and the nine months ended September 30, 2018 and 2017, respectively:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	**2017**	**2017**	**2018**
	(RMB in thousands)			
			(unaudited)	
Other income	187	13,954	2,533	12,824
Other gains and losses	9,185	(103,665)	(82,694)	(351,751)
Research and development expenses	(247,121)	(213,441)	(165,832)	(699,293)
Administrative expenses	(15,050)	(39,335)	(27,468)	(118,557)
Finance costs	(240)	(60)	(60)	–
Listing expenses	–	–	–	(5,623)
Loss for the year/period	(253,039)	(342,547)	(273,521)	(1,162,400)
Loss for the year/period attributable to:				
Owners of the Company				
ordinary shareholders	(117,108)	(107,445)	(85,805)	(314,058)
preferred shareholders	(128,983)	(201,459)	(160,885)	(800,490)
	(246,091)	(308,904)	(246,690)	(1,114,548)
Non-controlling interests	(6,948)	(33,643)	(26,831)	(47,852)

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	2017	2017	2018
		(RMB in thousands)		
			(unaudited)	
Other comprehensive (expense) income for the period				
Items that may be reclassified subsequently to profit or loss:				
Fair value (loss) gain on investments in debt instruments measured at FVTOCI	(33)	(1,424)	(1,588)	2,528
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI	–	(20)	(20)	(723)
Other comprehensive (expenses) income for the year/period	(33)	(1,444)	(1,608)	1,805
Total comprehensive expense for the year/period	(253,072)	(343,991)	(275,129)	(1,160,595)
Total comprehensive expense for the year/period attributable to:				
Owners of the Company				
ordinary shareholders	(113,991)	(90,283)	(72,232)	(274,514)
preferred shareholders	(132,133)	(220,065)	(176,066)	(838,229)
	(246,124)	(310,348)	(248,298)	(1,112,743)
Non-controlling interests	(6,948)	(33,643)	(26,831)	(47,852)

Revenue

We did not generate any revenue for the years ended December 31, 2017 and 2016 and the nine months ended September 30, 2018 and 2017.

Other Income

Other income consists of bank and other interest income, changes in fair value of money market fund and government grant income.

Bank and other interest income includes interests from bank deposits and debt instruments measured at FVTOCI. Government grants income includes subsidies from the PRC government. During the Track Record Period, we have received from various government bureaus, such as the Suzhou Science and Technology Bureau financial incentives, and recognised as government grant income of RMB10.3 million for the year ended December 31, 2017 and RMB2.7 million for the nine months ended September 30, 2018. Such financial incentives were mainly made for to subsidize our capital expenditures and general and immuno-oncology specific research and development activities, and they are recognized over the useful life of the related assets or upon the compliance with the attached conditions, respectively.

The following table summarizes a breakdown of our other income for the years ended December 31, 2016 and 2017 and for the nine months ended September 30, 2017 and 2018:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	**2017**	**2017**	**2018**
	(RMB in thousands)			
			(unaudited)	
Bank and other interest income	99	3,508	2,406	2,491
Changes in fair value of money market fund	88	146	127	7,601
Government grants income	–	10,300	–	2,732
Total	187	13,954	2,533	12,824

Other Gains and Losses

Our other gains and losses mainly consist of gain on fair value changes of other investments classified as financial assets measured at FVTPL, loss on fair value changes of derivative financial liabilities and net foreign exchange gains (losses).

Gain on fair value changes of other investments classified as financial assets measured at FVTPL consists of the gain from recognizing fair value changes in wealth management products we purchased.

Loss on fair value changes of derivative financial liabilities consists of the changes in fair value of the conversion option associated with the Preferred Shares. Conversion option derivatives are initially recognised at fair value at the date the derivative contracts are entered into and their fair value is subsequently remeasured at the end of each reporting period. The resulting loss is recognized as loss on fair value changes of conversion option derivatives. For details please refer to note 7 to the Accountant's Report as set out in Appendix I.

Net foreign exchange gains (losses) is the exchange differences resulted from the fact that some of carrying amount of financial assets that are denominated in a foreign currency is translated at the spot rate at the end of each reporting period.

The following table summarizes a breakdown of our other gains and losses for the years ended December 31, 2017 and 2016 and for the nine months ended September 30, 2018 and 2017:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	**2017**	**2017**	**2018**
	(RMB in thousands)			
			(unaudited)	
Gain on fair value changes of other investments classified as financial assets measured at FVTPL	701	6,010	5,926	973
Gain on disposal of debt instruments at FVTOCI	–	20	20	723
Loss on fair value changes of derivative financial liabilities	(6,201)	(79,933)	(66,583)	(486,372)
Loss on disposal of property, plant and equipment	–	(287)	–	–
Net foreign exchange gains (losses)	14,685	(29,475)	(22,057)	132,925
Total	9,185	(103,665)	(82,694)	(351,751)

Research and Development Expenses

Our research and development expenses mainly consist of employee cost of research and development personnel, depreciation and amortization, licensing fee and third party contracting cost. Employee cost consists of employee salaries and allowance, performance related bonus, retirement benefit scheme and share-based compensation expenses for research and development personnel. Depreciation and amortization represents the depreciation and amortization of our machinery, equipment and software used in research and development activities. Licensing fee includes the in-license fee related to our in-licensed drug candidates. Third party contracting cost represents the expenses related to our research and development outsourcing activities (excluding licensing fees). During the Track Record Period, most of our third party contracting cost was incurred for services provided by the WuXi Entities, amounting to an aggregate of RMB239.2 million, RMB170.4 million and RMB167.4 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30,

2018, respectively. The following table summarizes a breakdown of our research and development expenses for the years ended December 31, 2017 and 2016 and for the nine months ended September 30, 2018 and 2017:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	**2017**	**2017**	**2018**
	(RMB in thousands)			
			(unaudited)	
Employee cost	7,558	38,843	25,712	141,300
Depreciation and amortization	–	–	–	680
Licensing fee[(1)]	–	–	–	348,749
Third party contracting cost	239,563	174,598	140,120	208,564
Total	247,121	213,441	165,832	699,293

Note:

(1) Licensing fee relates to (a) the agreement between the Company and Blueprint for the clinical development and commercialization of avapritinib (CS3007), CS3008 (FGFR4 inhibitor) and CS3009 (RET inhibitor) in China, Hong Kong SAR, Macau SAR, and Taiwan, as a monotherapy or in combination with other therapies, and (b) the agreement between the Company and Agios for the clinical development and commercialization of ivosidenib (CS3010) in China, Hong Kong SAR, Macau SAR and Taiwan, as a monotherapy or in combination with other therapies.

Administrative Expenses

Our administrative expenses consist of employee cost of administrative personnel, professional consulting fees, rental expenses, depreciation and amortization and others.

Employee cost consists of employee salaries and allowance, performance related bonus, retirement benefit scheme and share-based compensation expense for administrative personnel. Professional fees consist of consulting fee, audit fee and hiring service fee. Others mainly include travel expenses, office expenses and insurance expenses.

The table below summarizes a breakdown of our administrative expenses for the years ended December 31, 2017 and 2016 and for the nine months ended September 30, 2018 and 2017:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	**2017**	**2017**	**2018**
	(RMB in thousands)			
			(unaudited)	
Employee cost	6,522	22,057	18,409	96,444
Professional fees	6,498	7,103	1,711	4,366
Rental expenses	376	1,934	1,168	2,588
Depreciation and amortization	69	821	407	3,182
Others	1,585	7,420	5,773	11,977
Total	15,050	39,335	27,468	118,557

Finance Costs

Our finance costs primarily consist of interest arising from deferred payment option under research and development contracts we entered into with our third party CROs.

The table below summarizes a breakdown of our finance costs for the years ended December 31, 2017 and 2016 and for the nine months ended September 30, 2018 and 2017:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	**2017**	**2017**	**2018**
	(RMB in thousands)			
			(unaudited)	
Interest arising from deferred payment option under research and development contracts	(240)	(60)	(60)	–

Other Comprehensive Income (Expense)

Our other comprehensive income (expense) mainly consists of fair value gain (loss) on investments in debt instruments measured at FVTOCI, and this item represents the change in fair value of corporate bonds and treasury bills we purchased. The table below summarizes a breakdown of our other comprehensive income (expense) for the years ended December 31, 2017 and 2016 and for the nine months ended September 30, 2018 and 2017:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	**2017**	**2017**	**2018**
		(RMB in thousands)		
			(unaudited)	
Fair value (loss) gain on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")	(33)	(1,424)	(1,588)	2,528
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI	–	(20)	(20)	(723)
Total	(33)	(1,444)	(1,608)	1,805

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly are exempted from Cayman Islands income tax.

Hong Kong

Our subsidiary CStone HK incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on assessable profits earned in Hong Kong. No provision for taxation in Hong Kong has been made as our income neither arises in, nor is derived from, Hong Kong during the Track Record Period.

China

Our subsidiaries in China are subject to Enterprise Income Tax (the "**EIT**") on the taxable income, and pursuant to the EIT laws and regulations, the basic tax rate of our subsidiaries in China is 25%.

Australia

Our subsidiary CStone Pharmaceuticals Australia Pty. Ltd. incorporated in Australia meets the aggregated turnover threshold and has no more than 80% base rate entity passive income under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017, and is therefore qualified as a small business entity and subject to the corporate tax rate of 27.5%.

The effective income tax rate was nil for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018 because we had no taxable income during the Track Record Period.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2018 Compared with Nine Months Ended September 30, 2017

Other Income. Our other income increased by RMB10.3 million from RMB2.5 million for the nine months ended September 30, 2017 to RMB12.8 million for the nine months ended September 30, 2018. This was primarily attributable to (i) increases in fair value of money market fund and interests from bank deposits due to funds raised from Series B equity financing and (ii) government grants income received in the first nine months of 2018.

Other Gains and Losses. Our other gains and losses increased by RMB269.1 million from losses of RMB82.7 million for the nine months ended September 30, 2017 to losses of RMB351.8 million for the nine months ended September 30, 2018. The increase in other losses was primarily attributable to a larger loss on fair value of derivative financial liabilities due to the issuance of Preferred Shares and the increase in company valuation caused by the possibility of an initial public offering, partially offset by the increase in net foreign exchange gains due to U.S. dollar appreciation and our increased U.S. dollar deposit from Series B equity financing during the nine months ended September 30, 2018.

Research and Development Expenses. Our research and development expenses increased by RMB533.5 million from RMB165.8 million for the nine months ended September 30, 2017 to RMB699.3 million for the nine months ended September 30, 2018. This increase was primarily attributable to (i) the increase in our licensing fee from nil for the nine months ended September 30, 2017 to RMB348.7 million for the nine months ended September 30, 2018, due to our entry into new collaboration and licensing agreements with third-party partners in the first nine months of 2018; (ii) the increase in third party contracting cost by RMB68.4 million from RMB140.1 million for the nine months ended September 30, 2017 to RMB208.6 million for the nine months ended September 30, 2018, due to increased research and development outsourcing activities as we conducted more clinical trials for our drug candidates; and (iii) the increase in our employee cost by RMB115.6 million from RMB25.7 million for the nine months ended September 30, 2017 to RMB141.3 million for the nine months ended September 30, 2018, due to increased headcount and modifications of the share option vesting schedule and an increase in the share options and restricted shares granted.

Administrative Expenses. Our administrative expenses increased by RMB91.1 million from RMB27.5 million for the nine months ended September 30, 2017 to RMB118.6 million for the nine months ended September 30, 2018. This was primarily attributable to (i) an increase of RMB78.0 million in employee cost from RMB18.4 million for the nine months ended September 30, 2017 to RMB96.4 million for the nine months ended September 30, 2018 due to increased headcounts, (ii) an increase of RMB2.7 million in professional fees from RMB1.7 million for the nine months ended September 30, 2017 to RMB4.4 million for the nine months ended September 30, 2018 due to consulting fees associated with business development activities and (iii) an increase of RMB2.8 million in depreciation and amortization from RMB0.4 million for the nine months ended September 30, 2017 to RMB3.2 million for the nine months ended September 30, 2018 due to increased property, plant and equipment in the laboratory in Suzhou.

Finance Costs. The RMB0.06 million finance costs during the nine months ended September 30, 2017 were attributable to the interest expense paid pursuant to the financing arrangement under the relevant research and development contracts. We did not have any finance costs for the nine months ended September 30, 2018 as such financing arrangement has ended on March 31, 2017.

Listing Expenses. The RMB5.62 million listing expenses for the nine months ended September 30, 2018 were mainly attributable to legal and professional fees and travel expenses in relation to the Global Offering. We did not incur any listing expenses for the nine months ended September 30, 2017.

Other Comprehensive Income (Expense). Our other comprehensive income (expense) changed from expense of RMB1.6 million for the nine months ended September 30, 2017 to income of RMB1.8 million for the nine months ended September 30, 2018. This change was primarily attributable to the gain on investments in corporate bonds and treasury bills.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Other Income. Our other income increased by RMB13.8 million from RMB0.2 million for the year ended December 31, 2016 to RMB14.0 million for the year ended December 31, 2017. This was primarily attributable to (i) increases in bank and other interest income by RMB3.4 million from RMB0.1 million in 2016 to RMB3.5 million in 2017 due to increase in cash deposits and (ii) government grants income of RMB10.3 million recognised in 2017.

Other Gains and Losses. Our other gains and losses changed by RMB112.9 million from gains of RMB9.2 million for the year ended December 31, 2016 to losses of RMB103.7 million for the year ended December 31, 2017. The change in other gains and losses was primarily attributable to (i) the increase in loss on fair value changes of derivative financial liabilities by RMB73.7 million from RMB6.2 million in 2016 to RMB79.9 million in 2017 as a result of the larger increase in fair value of derivative financial liabilities due to the increase in company valuation and probability of initial public offering in 2017 as compared to 2016, and (ii) the net foreign exchange gains (losses) which changed by RMB44.2 million from gains of RMB14.7 million in 2016 to losses of RMB29.5 million in 2017 due to exchange rate change, partially offset by increase in gain on fair value changes of other investments classified as financial assets measured at FVTPL by RMB5.3 million from RMB0.7 million in 2016 to RMB6.0 million in 2017 due to the purchase of wealth management product in December 2016, which resulted in longer holding period in 2017 as compared to 2016.

Research and Development Expenses. Our research and development expenses decreased by RMB33.7 million from RMB247.1 million for the year ended December 31, 2016 to RMB213.4 million for the year ended December 31, 2017. This decrease was primarily attributable to the decrease in third-party contracting cost by RMB65.0 million from RMB239.6 million in 2016 to RMB174.6 million in 2017 as a result of the upfront payment we made in 2016 pursuant to our contracts with WuXi Biologics.

Administrative Expenses. Our administrative expenses increased by RMB24.2 million from RMB15.1 million for the year ended December 31, 2016 to RMB39.3 million for the year ended December 31, 2017. This was primarily attributable to an increase of RMB15.6 million in employee cost from RMB6.5 million for the year ended December 31, 2016 to RMB22.1 million for the year ended December 31, 2017. Such increase was primarily attributable to increased headcount.

Finance Costs. Our finance costs decreased from RMB0.2 million for the year ended December 31, 2016 to RMB0.06 million for the year ended December 31, 2017. The decrease was due to the fact that the research and development financing arrangement under the relevant research and development contracts ended on March 31, 2017.

Other Comprehensive (Expense) Income. Our other comprehensive (expense) income increased from expenses of RMB0.03 million for the year ended December 31, 2016 to expenses of RMB1.4 million for the year ended December 31, 2017. This increase in expense was primarily attributable to the loss on investments in corporate bonds and treasury bills.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I:

	As of December 31,		As of September 30,
	2016	2017	2018
	(RMB in thousands)		
Total current assets	824,816	545,260	1,742,711
Total non-current assets	1,323	19,020	22,303
Total assets	826,139	564,280	1,765,014
Total current liabilities	59,184	113,228	680,816
Total non-current liabilities	–	–	1,937
Total liabilities	59,184	113,228	682,753
Ordinary share capital	26	26	28
Preferred share capital	49	49	94
Reserves	712,613	426,263	1,082,139
Equity attributable to owners of the Company	712,688	426,338	1,082,261
Non-controlling interests	54,267	24,714	–
Total equity	766,955	451,052	1,082,261

Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of September 30,	As of December 31,
	2016	2017	2018	2018
	(RMB in thousands)			
				(unaudited)
Current assets				
Deposits, prepayments and other receivables	12,889	7,567	28,574	46,984
Other investments classified as financial assets measured at FVTPL	294,695	56,593	19,766	16,792
Debt instruments at FVTOCI	457,693	397,710	203,314	78,620
Time deposits	–	–	756,712	761,216
Cash and cash equivalents	59,539	83,390	734,345	701,336
Total current assets	824,816	545,260	1,742,711	1,604,948
Current liabilities				
Trade and other payables and accrued expenses	50,622	24,733	64,073	93,574
Deferred income	2,000	2,000	–	–
Derivative financial liabilities	6,562	86,495	616,743	1,015,648
Total current liabilities	59,184	113,228	680,816	1,109,222
Total net current assets	765,632	432,032	1,061,895	495,726

Deposits, Prepayments and Other Receivables

Deposits, prepayments and other receivables consist of prepayments, other receivables, and subscription receivables from a preferred shareholder. The following table sets forth our deposits, prepayments and other receivables as of the dates indicated:

	As of December 31,		As of September 30,
	2016	2017	2018
	(RMB in thousands)		
Prepayments	12,129	6,747	24,547
Other receivables	240	330	1,308
Subscription receivables from a preferred shareholder	520	490	516
Subscription receivables for share options due from Dr. Jiang	–	–	797
Deferred issue costs	–	–	1,406
Total	12,889	7,567	28,574

Prepayments consist of accrued payments for pre-clinical and clinical research and development. Prepayments decreased by RMB5.4 million from RMB12.1 million as of December 31, 2016 to RMB6.7 million as of December 31, 2017, primarily attributable to the recognition of pre-clinical and clinical research and development expenses. Our prepayments increased by RMB17.8 million from RMB6.7 million as of December 31, 2017 to RMB24.5 million as of September 30, 2018, primarily attributable to the increased prepayments for pre-clinical and clinical research and development services in 2018.

Other Investments Classified as Financial Assets Measured at FVTPL

Our other investments classified as financial assets measured at FVTPL consist of wealth management products that we invested in with respect to contracts entered into with financial institutions, and it decreased by RMB238.1 million from RMB294.7 million as of December 31, 2016 to RMB56.6 million as of December 31, 2017. It further decreased by RMB36.8 million from RMB56.6 million as of December 31, 2017 to RMB19.8 million as of September 30, 2018. The decreases in other financial assets measured at FVTPL during the Track Record Period were mainly because we liquidated our positions in those wealth management products to fund our operations.

Debt Instruments at FVTOCI

The following table sets forth our debt instruments at FVTOCI as of the dates indicated:

	As of December 31,		As of September 30,
	2016	**2017**	**2018**
	(RMB in thousands)		
Debt instruments at FVTOCI:			
Corporate bonds	426,184	233,448	113,709
Treasury bills	31,509	164,262	89,605
Total	457,693	397,710	203,314

Debt instruments at FVTOCI, including corporate bonds and treasury bills we purchased, decreased by RMB60.0 million from RMB457.7 million as of December 31, 2016 to RMB397.7 million as of December 31, 2017. It decreased further by RMB194.4 million from RMB397.7 million as of December 31, 2017 to RMB203.3 million as of September 30, 2018. The decreases in debt instruments at FVTOCI during the Track Record Period were mainly because we liquidated our positions in corporate bonds and treasury bills to fund our operations.

Time Deposits and Cash and Cash Equivalents

Our time deposits and cash and cash equivalents increased by RMB23.9 million from RMB59.5 million as of December 31, 2016 to RMB83.4 million as of December 31, 2017, and it further increased by RMB1,407.7 million from RMB83.4 million as of December 31, 2017 to RMB1,491.1 million as of September 30, 2018. The increase in 2018 was mainly attributable from the funds we received from our Series B equity financing. We have utilised and plan to continue to utilise our cash and cash equivalents for (a) the research and development efforts, including our ongoing or planned clinical trials, preparation of registration filings and planned commercial launches of our Core Product Candidate and other clinical-stage and IND-stage drug candidates (b) the research and development of our pre-clinical drug candidates and in-licensing of new drug candidates; and (c) working capital and other general corporate purposes.

Trade and Other Payables and Accrued Expenses

Trade and other payables and accrued expenses consist mainly of trades payables, accrued expenses for research and development, legal and professional fees and issue costs and listing expenses, payables in respect of acquisition of property, plant and equipment and staff payroll payable. The following table sets forth a breakdown of our trade and other payables and accrued expenses.

	As of December 31,		As of September 30,
	2016	**2017**	**2018**
	(RMB in thousands)		
Trade payables	–	302	2,000
Accrued expenses			
Research and development	46,132	12,162	36,558
Legal and professional fees	2,321	1,119	3,846
Issue costs and listing expenses	–	–	7,029
Others	–	20	1,653
Subtotal of trade payables and accruals	48,453	13,603	51,086
Payables in respect of acquisition of property, plant and equipment	–	3,391	1,397
Staff payroll payables	1,198	7,277	11,311
Interest payables	240	–	–
Other payables	731	358	173
Other tax payable	–	104	106
Total	50,622	24,733	64,073

Our trade and other payables and accrued expenses decreased by RMB25.9 million from RMB50.6 million as of December 31, 2016 to RMB24.7 million as of December 31, 2017. It increased by RMB39.4 million from RMB24.7 million as of December 31, 2017 to RMB64.1 million as of September 30, 2018. Such decreases and increases were primarily due to the changes in trade payables and accrued expenses for research and development and issue costs and listing expenses.

Our trade payables and accrued expenses consist of trade payables and accrued expenses from research and development, legal and professional fees, issue costs and listing expenses and others. Our trade payables and accrued expenses decreased by RMB34.9 million from RMB48.5 million as of December 31, 2016 to RMB13.6 million as of December 31, 2017. The decrease was primarily attributable to us gradually paying off our accrued expenses in research and development and legal and professional fees. Our trade payables and accrued expenses increased by RMB37.5 million from RMB13.6 million as of December 31, 2017 to RMB51.1 million as of September 30, 2018. The increase was primarily attributable to increased trade payables and accrued expenses in research and development from continued research and development activities and increased issue costs and listing expenses in relation to the Global Offering.

Our payables in respect of acquisition of property, plant and equipment increased from nil as of December 31, 2016 to RMB3.4 million as of December 31, 2017. The increase was primarily attributable to the improvement and equipment purchase for our laboratory in Suzhou. This account decreased by RMB2.0 million from RMB3.4 million as of December 31, 2017 to RMB1.4 million as of September 30, 2018. The decrease was primarily attributable to us gradually paying off the account balances for machinery and equipment purchase for the laboratory.

Our staff payroll payables increased by RMB6.1 million from RMB1.2 million as of December 31, 2016 to RMB7.3 million as of December 31, 2017. Our staff payroll payables increased by RMB4.0 million from RMB7.3 million as of December 31, 2017 to RMB11.3 million as of September 30, 2018. The increase was primarily attributable to our increased headcounts.

Deferred Income

Our deferred income consists of government subsidies received but not yet recognized as income. In each of the year of 2016 and 2017, we received a government subsidy of RMB2.0 million towards our research and development projects. Certain conditions have to be fulfilled before each of the subsidies can be regarded as fully granted. We fulfilled the conditions attached to the 2016 subsidies in 2017, and recognized the corresponding amount as government grant income then.

Derivative financial liabilities

Our derivative financial liabilities reflects the fair value of the conversion option associated with the Preferred Shares. Derivative financial liabilities are initially recognised at fair value at the date the derivative contracts are entered into and their fair value is subsequently remeasured at the end of each reporting period. Our derivative financial liabilities increased from RMB6.6 million as of December 31, 2016 to RMB86.5 million as of December 31, 2017, and it further increased from RMB86.5 million as of December 31, 2017 to RMB616.7 million as of September 30, 2018. The increases were primarily attributable to increased fair value of the conversion option derivatives as a result of the increase in company valuations and probability of initial public offering.

Non-current Assets and Liabilities

The following table sets forth our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		As of September 30,
	2016	2017	2018
	(RMB in thousands)		
Non-Current assets			
Property, plant and equipment	1,034	15,457	14,313
Deposits for acquisition of property, plant and equipment	–	160	–
Other intangible assets	9	222	799
Other receivables	280	3,181	7,191
Total non-current assets	1,323	19,020	22,303
Non-current liabilities			
Deferred income	–	–	1,937
Total non-current liabilities	–	–	1,937
Total net non-current assets (liabilities)	1,323	19,020	20,366

Property, Plant and Equipment

Property, plant and equipment primarily consists of leasehold improvements, plant and machinery and furniture fixtures and equipment. The following table sets forth the book values of our property, plant and equipment as of the dates indicated:

	As of December 31,		As of September 30,
	2016	2017	2018
	(RMB in thousands)		
Leasehold improvements	465	9,152	9,808
Plant and machinery	–	4,570	5,724
Furniture fixtures and equipment	636	2,435	3,223
Less: accumulated depreciation at end of year	(67)	(700)	(4,442)
Net book value of property, plant and equipment	1,034	15,457	14,313

Our property, plant and equipment increased by RMB14.4 million from RMB1.0 million as of December 31, 2016 to RMB15.4 million as of December 31, 2017 primarily due to our investment into leasehold improvements resulting from business expansion and increased purchase of machinery and equipment. Our property, plant and equipment decreased by RMB1.1 million from RMB15.4 million as of December 31, 2017 to RMB14.3 million as of September 30, 2018, primarily due to increase in depreciation.

Other Receivables

The following table sets forth other receivables, which consist of rental deposits and other tax recoverable, as of the dates indicated:

	As of December 31,		As of September 30,
	2016	**2017**	**2018**
	(RMB in thousands)		
Rental Deposits	280	1,169	1,821
Value-added Tax Recoverable	–	2,012	5,370
Total	280	3,181	7,191

The rental deposits increased by RMB0.9 million from RMB0.3 million as of December 31, 2016 to RMB1.2 million as of December 31, 2017, and it increased by RMB0.6 million from RMB1.2 million as of December 31, 2017 to RMB1.8 million as of September 30, 2018. The increase in 2017 was primarily attributable to the leases we signed for our new office and the laboratory in Suzhou, and the increase in 2018 was primarily attributable to the increase in the deposits required for our leased properties.

Our value-added tax recoverable represents the VAT recoverable related to the VAT we paid for machines and equipment, as well as goods and services we purchased.We did not have any value-added tax recoverable in 2016, but our value-added tax recoverable increased to RMB2.0 million as of December 31, 2017, and it further increased by RMB3.4 million from RMB2.0 million as of December 31, 2017 to RMB5.4 million as of September 30, 2018. The increases since 2016 resulted from our increased purchase of pre-clinical and clinical research and development services and property, plant and equipment.

Deferred Income

Our deferred income consists of government subsidies received but not yet recognized as income. In the nine months ended September 30, 2018, we received government subsidies of RMB1.9 million for our capital expenditures on plant and machineries. The amounts are deferred and amortized over the estimated useful lives of the assets.

KEY FINANCIAL RATIOS

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

	As of December 31,		As of September 30,
	2016	2017	2018
Current Ratio[(1)]	13.9	4.8	2.6

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

Current ratio decreased from 13.9 as of December 31, 2016 to 4.8 as of December 31, 2017 because of the increase in derivative financial liabilities as a result of the increase in the fair value of the Preferred Shares, partially offset by the decrease in trade and other payables and accrued expenses. Current ratio further decreased to 2.6 as of September 30, 2018 because of the increase in derivative financial liabilities as a result of the increase in the fair value of the Preferred Shares, partially offset by the increases in time deposits and cash and cash equivalents mainly as a result of new equity financings. For details, see "– Major Factors Affecting Our Results of Operations" in this section for a discussion of the factors affecting our results of operations during the respective periods.

LIQUIDITY AND CAPITAL RESOURCES

Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of borrowings and, from time to time, evaluate the options to renew the borrowings upon expiry based on our actual business requirement. We rely on equity financing as the major source of liquidity.

Since inception, we have incurred negative cash flows from our operations. Our operating activities used RMB213.0 million, RMB240.2 million and RMB628.8 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, respectively.

As of December 31, 2016 and 2017 and September 30, 2018, we had cash and cash equivalents of RMB59.5 million, RMB83.4 million and RMB734.3 million, respectively.

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

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2017	2017	2018
	(RMB in thousands)			
			(unaudited)	
Net cash used in operating activities	(213,006)	(240,186)	(190,253)	(628,801)
Net cash (used in) from investing activities	(753,469)	268,300	182,892	(504,746)
Net cash from (used in) financing activities	1,010,503	(300)	(300)	1,661,843
Net increase/(decrease) in cash and cash equivalents	44,028	27,814	(7,661)	528,296
Operating cash flows before movements in working capital	(252,734)	(213,567)	(172,064)	(643,911)

Operating Activities

Net cash used in operating activities represents our loss for the period adjusted by non-cash items such as net foreign exchange (gain) losses, loss on fair value changes of derivative financial liabilities, share-based payment expense, and gain on fair value changes of other investments classified as financial assets measured at FVTPL. The fluctuations of net cash used in operating activities largely corresponded to the changes in our loss before tax for the period as a result of use of cash relating to research and development activities for our drug candidates, adjusted for (i) net foreign exchange (gains) losses; (ii) share-based payment expense; (iii) gain on disposal of debt instruments at FVTOCI; and (iv) gain on fair value changes of other investments classified as financial assets measured at FVTPL.

For the nine months ended September 30, 2018, our net cash used in operating activities was RMB628.8 million. This net outflow from operating activities was primarily based on loss for the period of RMB1,162.4 million mainly as a result of the spending on the research and development activities for our drug candidates, negatively adjusted by net foreign exchange gains of RMB132.9 million, and positively adjusted by loss on fair value changes of derivative financial liabilities of RMB486.4 million and share-based payment expense of RMB173.0 million.

For the year ended December 31, 2017, our net cash used in operating activities was RMB240.2 million. This net outflow from operating activities was primarily based on loss for the year of RMB342.5 million as a result of use of cash relating to research and development activities for our drug candidates, positively adjusted by loss on fair value changes of derivative financial liabilities of RMB79.9 million, net foreign exchange losses of RMB29.5 million and share-based payment expense of RMB28.1 million.

For the year ended December 31, 2016, our net cash used in operating activities was RMB213.0 million. This net outflow from operating activities was primarily based on loss for the year of RMB253.0 million, and net foreign gains of RMB14.7 million, positively adjusted by RMB9.4 million of share-based payment expense and RMB6.2 million of loss on fair value changes of derivative financial liabilities.

Investing Activities

Our cash outflow from investing activities were primarily for placement of time deposits with maturity dates over three months, purchase of debt instruments at FVTOCI, purchase of plant and equipment and purchase of other investments classified as financial assets measured at FVTPL. We also generated inflows from interest received, proceeds on disposal of other investments classified as financial assets measured at FVTPL and proceeds on disposal of debt instruments at FVTOCI for use in operating activities mainly relating to research and development activities.

For the nine months ended September 30, 2018, our net cash outflow from investing activities was RMB504.7 million, which was primarily attributable to cash outflows of RMB756.7 million in placement of time deposits with maturity dates over three months and RMB271.4 million in purchase of debt instruments at FVTOCI, and partially offset by cash inflows of RMB475.0 million in proceeds on disposal of debt instruments at FVTOCI and RMB37.8 million in proceeds on disposal of other investments classified as financial assets measured at FVTPL.

For the year ended December 31, 2017, our net cash inflow from investing activities was RMB268.3 million, which was primarily attributable to (i) RMB2,761.5 million in proceeds on disposal of debt instruments at FVTOCI; (ii) RMB1,256.1 million in proceeds on disposal of other investments classified as financial assets measured at FVTPL; and (iii) RMB6.2 million in interest received, and partially offset by RMB2,731.0 million in purchase of debt instruments at FVTOCI and RMB1,012.0 million in purchase of other investments classified as financial assets measured at FVTPL and RMB12.1 million in purchase of property, plant and equipment.

For the year ended December 31, 2016, our net cash outflow used in investing activities was RMB753.5 million, which was primarily attributable to (i) RMB467.9 million in purchase of debt instruments at FVTOCI; (ii) RMB300.0 million in purchase of other investments classified as financial assets measured at FVTPL; and (iii) RMB1.1 million in purchase of property, plant and equipment, and partially offset primarily by RMB9.4 million in proceeds on disposal of debt instruments at FVTOCI and RMB6.0 million in proceeds on disposal of other investments classified as financial assets measured at FVTPL.

Financing Activities

Our net cash received from (used in) financing activities was primarily in the form of the proceeds from issuing Preferred Shares and our ordinary Shares, the acquisition of non-controlling interests and capital injection into our subsidiary.

For the nine months ended September 30, 2018, our net cash from financing activities was RMB1,661.8 million, which was mainly attributable to the proceeds of RMB1,661.1 million from issuing Preferred Shares to new investors related to our Series B financing.

For the year ended December 31, 2017, our net cash used in financing activities was RMB0.3 million, which was attributable to the RMB0.3 million in interest paid.

For the year ended December 31, 2016, our net cash from financing activities was RMB1,010.5 million, which was primarily attributable to the proceeds of RMB703.9 million from issuing Preferred Shares related to our Series A financing and RMB304.0 million proceeds from capital injection into our subsidiary.

Cash Operating Costs

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

	For the nine months ended September 30,	For the year ended December 31,	
	2018	**2017**	**2016**
	(RMB in thousands)		
Research and Development Costs for Core Product Candidate			
Employee cost	15,501	9,056	582
Licensing fee	6,387	–	–
Third party contracting cost	61,071	61,522	126,517
Research and Development Costs for Other Product Candidates			
Employee cost	17,762	7,935	607
Licensing fee	342,362	–	–
Third party contracting cost	138,124	146,431	80,461
Workforce Employment[(1)]	42,676	26,820	2,062
Direct Production Cost[(2)]	–	–	–
Non-income Taxes, Royalties and Other Governmental Charges	–	–	–
Contingency Allowances	–	–	–
Product Marketing[(3)]	–	–	–

(1) Workforce employment costs represent total staff costs mainly including salaries and bonus.

(2) We had not commenced product manufacturing as of the Latest Practicable Date.

(3) We had not commenced product sales as of the Latest Practicable Date.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures, which represent the additions of property, plant and equipment for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2016	2017	2018
	(RMB in thousands)		
Purchase of property, plant and equipment	1,101	15,521	2,598
Purchase of intangible assets	11	223	688
Total capital expenditures	1,112	15,744	3,286

Our historical capital expenditures during the Track Record Period primarily included expenditure for purchases of property, plant and equipment and intangible assets such as software. We funded our capital expenditure requirements during the Track Record Period mainly from equity financing.

We expect that our capital expenditures in 2018 and 2019 will primarily consist of the acquisition cost of land use rights for our manufacturing site and purchase of machinery, equipment and leasehold improvement. We plan to fund our planned capital expenditures using our cash at bank and the net proceeds received from the Global Offering. See "Future Plans and Use of Proceeds" in this prospectus for more details. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

INDEBTEDNESS

As of December 31, 2016 and 2017 and September 30, 2018, we did not have any indebtedness.

As of December 31, 2018, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, taking into account the financial resources available to the Group, including cash and cash equivalents, the internally generated funds and the estimated net proceeds from the Listing, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, business development and marketing expenses, and administrative and operating costs for at least the next 12 months from the date of this prospectus.

CONTRACTUAL COMMITMENTS

Operating Lease Commitments

We lease office in Suzhou, Shanghai and Beijing under non-cancellable operating leases expiring on different dates. As of September 30, 2018, we have non-cancellable operating lease commitments of approximately RMB7.3 million. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. The following table sets forth our commitments for future minimum lease payments under our non-cancellable operating leases which fall due as indicated:

	As of December 31,		As of September 30,
	2016	2017	2018
	(RMB in thousands)		
Within one year	1,020	2,370	4,326
In the second to fourth years inclusive	1,514	4,140	2,991
Total	2,534	6,510	7,317

Capital Commitments

As of September 30, 2018, we did not have any capital commitment.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk.

Currency risk

Certain of our cash and cash equivalents, time deposits, other receivables, debt instruments measured at FVTOCI, other investments classified as financial assets measured at FVTPL and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For further details, see note 30b to the Accountants' Report set out in Appendix I.

Interest rate risk

We are exposed to fair value interest rate risk in relation to fixed-rate debt instruments at FVTOCI and time deposits. We currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk. For further details, see note 30b to the Accountants' Report set out in Appendix I.

Other price risk

We are exposed to other price risk through derivative financial liabilities and money market fund. For further details, see note 30b to the Accountants' Report set out in Appendix I.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us.

In order to minimize credit risk, our finance team has been tasked to develop and maintain credit risk ratings to categorize exposures according to their degree of risk of default. Our management uses publicly available financial information and our own historical repayment records to rate our other debtors and other debt instruments issuers. Our exposure and the credit ratings of our counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. For further details, see note 30b to the Accountants' Report set out in Appendix I.

Liquidity Risk

To manage our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. During the Track Record Period, we issued Series A and B Preferred Shares to independent investors. The directors of the Company are satisfied that we will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the Preferred Shares. For details, see Note 31b to Accountants' Report set out in Appendix I.

TRANSACTIONS WITH RELATED PARTIES

We had the following transactions during the Track Record Period with certain related parties:

Name of Related Company	Nature of Transaction	For the period from January 1, 2016 to March 31, 2016
		(RMB in thousands)
WuXi AppTec (Hong Kong) Limited[(1)] ("**WuXi AppTec**")	Research and development expenses	32,000
	Interest expenses	60
WuXi Biologics (Shanghai) Limited[(2)] ("**WuXi Biologics Shanghai**")	Research and development expenses	13,971

Notes:

(1) WuXi AppTec is considered as a related party from January 1, 2016 to March 31, 2016 because WuXi Healthcare Ventures II, L.P., our controlling shareholder during this period, is an associate of WuXi AppTec. Since the Company is a wholly-owned subsidiary of WuXi Healthcare Ventures II, L.P. until March 31, 2016, and WuXi Healthcare Ventures II, L.P. is an associate of WuXi AppTec, the Company and WuXi AppTec are considered related parties up to and until March 31, 2016 according to the relevant accounting standard.

(2) WuXi Biologics Shanghai is considered as a related party because Dr. Li Ge, our ultimate controlling shareholder during the period from January 1, 2016 to March 31, 2016, is regarded as having significant influence over WuXi Biologics Shanghai. However, Dr. Li Ge has ceased to control the Group since April 1, 2016. Subsequent to this loss of control, Dr. Li Ge can only exercise significant influence on the Group and WuXi Biologics Shanghai. Therefore, with reference to the relevant accounting standard, Wuxi Biologics Shanghai and the Company are no longer related parties. Accordingly, WuXi Biologics Shanghai ceased to be a related party of the Group since April 1, 2016.

It is the view of our Directors that each of the above transactions (i) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, and (ii) does not distort our Track Record Period results or make our historical results not reflective of future performance. See Note 28 to the Accountant's Report as set out in Appendix I for a detailed information of transactions with related parties.

DIVIDENDS

We have never declared or paid regular cash dividends on our ordinary Shares. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "Risk Factors – Risks Related to Our Doing Business in the PRC" in this prospectus. In the future, we may rely to some extent on dividends and other distributions on equity from our principal operating subsidiaries to fund offshore cash and financing requirements.

DISTRIBUTABLE RESERVES

As of September 30, 2018, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$160.45 million (including underwriting commission, assuming an Offer Price of HK$11.95 per Share, being the mid-point of the indicative Offer Price range of HK$11.10 to HK$12.80 per Share), assuming no Shares are issued pursuant to the Over-allotment Option. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2016 and 2017. In the nine months ended September 30, 2018, the listing expenses charged to profit or loss were RMB5.62 million (approximately HK$6.58 million) and the issue costs capitalized to deferred issue costs were RMB1.41 million (approximately HK$1.64 million). After September 30, 2018, approximately HK$52.96 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$99.27 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group Attributable to Ordinary Shareholders of the Company

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed Hong Kong public offering and international offering of the shares of the Company (the "Global Offering") on the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2018 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share as at September 30, 2018	
	RMB'000 (note 1)	*RMB'000* (note 2)	*RMB'000* (note 3)	*RMB* (note 3)	*HK$* (note 4)
Based on an offer price of HK$11.1 per Share	–	1,643,132	1,643,132	4.63	5.41
Based on an offer price of HK$12.8 per Share	–	1,902,695	1,902,695	5.36	6.27

Notes:

1. The audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of September 30, 2018 of approximately RMB1,082,261,000 less intangible assets attributable to owners of the Company of RMB799,000 and net tangible assets attributable to preferred shareholders as of September 30, 2018 of approximately RMB1,081,462,000 due to their liquidation preference.

2. The estimated net proceeds from the Global Offering are based on 186,396,000 Shares at the Global Offering of HK$11.1 (equivalent to RMB9.49) and HK$12.8 (equivalent to RMB10.95) per offer share, being the low-end and high-end of the stated offer price range, respectively, after deduction of the estimated underwriting fees and commissions and other related expenses expected to be paid/payable by the Group (excluding listing expenses charged to profit or loss prior to September 30, 2018) and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Incentivization Plan or the Post-IPO ESOP; or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company; or (iv) the conversion of the Preferred Shares.

   For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.8551, which was the exchange rate prevailing on February 1, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018, which represents the aggregate of the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 as detailed in note 1 and the estimated net proceeds from the Global Offering, has not been further adjusted the effect of the liquidation preference of the Preferred Shares, which will reduce the amount of unaudited pro forma net tangible assets of the Group attributable to ordinary shareholders of the Company, if the Preferred Shares have not been converted into ordinary shares of the Company.

   The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share is arrived at on the basis that 354,855,724 Shares were in issue assuming that the Global Offering and the Capitalization Issue had been completed on September 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option; or (ii) which may be issued under Pre-IPO Incentivization Plan or the Post-IPO ESOP; or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company; or (iv) the conversion of the Preferred Shares; or (v) the vesting of any unvested restricted shares or (vi) which may be issued upon vesting of the restricted shares units.

4. For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.8551, which was the exchange rate prevailing on February 1, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to September 30, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as shown on page II-1 have not been adjusted to illustrative the effect of repurchase of 37,500 Preferred Shares on November 9, 2018, the conversion of Preferred Shares into ordinary shares and the acceleration of the vesting of 458,335 restricted shares on November 25, 2018 (collectively the "Subsequent Transactions").

   The mandatory conversion of Preferred Shares upon completion of IPO would then result in the inclusion of the net tangible assets attributable to preferred shareholders as of September 30, 2018 of approximately RMB1,081,462,000 and de-recognition of the conversion feature derivative liabilities at September 30, 2018 by RMB616,743,000. The repurchase of Preferred Shares would result in recognition of the consideration payable of RMB516,000. The combined effect of the conversion of Preferred Share and the repurchase of Preferred Shares would have increased the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 by RMB1,697,689,000. The conversion of Preferred Shares would have also increased the total ordinary shares in issue as assumed in note 3 by 574,813,884 shares (574,963,884 outstanding Preferred Shares as at September 30, 2018, net with 150,000 repurchased shares (after taking into account the effect of the Capitalization Issue)). Further, the acceleration of vesting of the unvested restricted shares would have increased the total shares in issue by 1,833,340 Shares (after taking into account the effect of the Capitalization Issue) and the total shares in issue would have increased to 931,502,948. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 after of all these effects would be as follows:

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 after Subsequent Transactions	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share as at September 30, 2018 after Subsequent Transactions**	
	RMB'000	*RMB*	*HK$* (note 5)
Based on an offer price of HK$11.1 per Share	3,340,821	3.59	4.19
Based on an offer price of HK$12.8 per Share	3,600,384	3.87	4.52

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors estimate, on the bases set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, the estimated consolidated loss of our Group and unaudited pro forma estimated loss per Share for the year ended December 31, 2018 as follows:

Estimated consolidated loss of our Group for the year ended December 31, 2018 attributable to:

	No more than
	RMB' million
Owners of the Company	
– ordinary shareholders	470
– preferred shareholders	1,280
	1,750
Non-controlling interests	50
	1,800
Unaudited pro forma estimated basic and diluted loss per Share for the year ended December 31, 2018[(2)(3)(4)]	No more than RMB1.32

Notes:

(1) The loss estimate, for which our Directors are solely responsible, has been prepared by them based on (i) the audited consolidated results of our Group for the nine months ended September 30, 2018 and (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2018. The loss estimate has been prepared on a basis consistent in all material respects with the accounting policies that we normally adopt as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The unaudited pro forma estimated loss per Share for the year ended December 31, 2018 has been prepared in accordance with paragraph 4.29(1) of the Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering and the Capitalization Issue, as if they had taken place on January 1, 2018. The unaudited pro forma estimated loss per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial results following the Global Offering.

(3) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated loss attributable to ordinary shareholders of our Company for the year ended December 31, 2018 and assuming a weighted average of 354,979,668 Shares in issue during the year ended December 31, 2018 and the Global Offering and Capitalization Issue had been completed on January 1, 2018 without taking into account of any Shares which (i) may be allotted and issued upon exercise of Over-allotment Options; or (ii) which may be issued under Pre-IPO Incentivization Plan or the Post-IPO ESOP; or (iii) any Shares may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company; or (iv) the conversion of the Preferred Shares; or (v) the vesting of any unvested restricted shares or (vi) which may be issued upon vesting of the restricted share units. The estimated consolidated loss attributable to ordinary shareholders of the Company for the year ended December 31, 2018 has not taken into account any interest income that would have been earned if the proceeds from the Global Offering had been received by the Company on January 1, 2018.

(4) The computation of the unaudited pro forma estimated diluted loss per Share for the year ended December 31, 2018 has not considered the effect of the share options awarded under the share incentive plan, the unvested restricted share units or the conversion of our Preferred Shares into ordinary shares as their inclusion would be anti-dilutive.

NO MATERIAL ADVERSE CHANGE

Save for the subsequent events as described in Note 34 to the Accountant's Report in Appendix I, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since September 30, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since September 30, 2018 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering and the Capitalization Issue.

As of the Latest Practicable Date, our authorized share capital was US$50,000.00 divided into: (i) 356,238,038 voting Shares, and (ii) 35,000,000 voting Series A-1 Preferred Shares, and (iii) 30,000,000 voting Series A-2 Preferred Shares, and (iv) 7,945,757 voting Series A-3 Preferred Shares, and (v) 24,554,243 voting Series A-4 Preferred Shares, and (vi) 46,261,962 voting Series B Preferred Shares.

As of the Latest Practicable Date, our issued share capital consisted of (i) 55,710,412 voting Shares, and (ii) 35,000,000 voting Series A-1 Preferred Shares, and (iii) 29,962,500 voting Series A-2 Preferred Shares, and (iv) 7,945,757 voting Series A-3 Preferred Shares, and (v) 24,554,243 voting Series A-4 Preferred Shares, and (vi) 46,240,971 voting Series B Preferred Shares.

The Preferred Shares will be converted into Shares on a 1:1 basis by way of re-designation before Listing.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering and the Capitalization Issue will be as follows:

Description of Shares	**Number of Shares**	**Aggregate nominal value of Shares**	**Approximate percentage of issued share capital**
		(US$)	*(%)*
Shares in issue (including the Shares on re-designation of the Preferred Shares)	199,413,883	19,941.39	20.26%
Shares to be issued under the Global Offering	186,396,000	18,639.60	18.94%
Shares to be issued pursuant to the Capitalization Issue	598,241,649	59,824.16	60.79%
Total	984,051,532	98,405.15	100.00%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company upon completion of the Global Offering and the Capitalization Issue will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		(US$)	*(%)*
Shares in issue (including the Shares on re-designation of the Preferred Shares)	199,413,883	19,941.39	19.70%
Shares to be issued under the Global Offering	186,396,000	18,639.60	18.42%
Shares to be issued pursuant to the Capitalization Issue	598,241,649	59,824.16	59.11%
Shares to be issued upon the full exercise of the Over-allotment Option	27,959,000	2,795.90	2.76%
Total	1,012,010,532	101,201.05	100.00%

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional, that Shares are issued pursuant to the Global Offering and the Capitalization Issue, and that the Preferred Shares are re-designated into Shares on a 1:1 basis. The above tables do not take into account any additional Shares which may be issued pursuant to the Share Incentivization Schemes.

RANKING

The Offer Shares are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares re-designated into Shares upon completion of the Global Offering and Capitalization Issue) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CAPITALIZATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on January 30, 2019, and subject to the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorized to allot and issue an aggregate of 598,241,649 Shares credited as fully paid at par on Listing Date to the holders of Shares and Preferred Shares on the register of members of our Company in the Cayman Islands at the close of business on the business day preceding the Listing Date, in proportion to their existing respective shareholdings (save that no holder of Shares and Preferred Shares shall be entitled to be allotted or issued any fraction of a Share). The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) divide its Shares into several classes; and (iv) cancel any Shares which have not been taken or agreed to be taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See the section headed "Summary of the Constitution of the Company and Cayman Companies Law – Summary of the Constitution of the Company – Articles of Association – Alteration of Capital" in Appendix IV in this prospectus for further details.

SHARE INCENTIVIZATION SCHEMES

We adopted the Pre-IPO Incentivization Plan and will adopt the Post-IPO ESOP effective upon completion of the Global Offering and Capitalization Issue. For further details, please see the section headed "Statutory and General Information – Share Incentivization Schemes" in Appendix V in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and without taking into account any additional Shares which may be issued under the Share Incentivization Schemes, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/underlying shares	Approximately percentage of interest in our Company (assuming the Over-allotment Option is not exercised)	Approximately percentage of interest in our Company (assuming the Over-allotment Option is fully exercised)
WuXi Healthcare Ventures *(note 1)*	Beneficial interest	292,881,444	29.76%	28.94%
WuXi Healthcare Management, LLC *(note 1)*	Interest in controlled corporation	292,881,444	29.76%	28.94%
Graceful Beauty Limited *(note 2)*	Beneficial interest	146,950,948	14.93%	14.52%
Boyu Capital Fund II, L.P. *(note 2)*	Interest of controlled corporation	146,950,948	14.93%	14.52%
Boyu Capital General Partner II L.P. *(note 2)*	Interest of controlled corporation	146,950,948	14.93%	14.52%
Boyu Capital General Partner II Ltd. *(note 2)*	Interest of controlled corporation	146,950,948	14.93%	14.52%
Boyu Capital Holdings Limited *(note 2)*	Interest of controlled corporation	146,950,948	14.93%	14.52%
Zhengze Yuanshi *(note 3)*	Beneficial interest	98,216,972	9.98%	9.71%

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/underlying shares	Approximately percentage of interest in our Company (assuming the Over-allotment Option is not exercised)	Approximately percentage of interest in our Company (assuming the Over-allotment Option is fully exercised)
Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)) *(note 3)*	Interest in controlled corporation	98,216,972	9.98%	9.71%
Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) *(note 3)*	Interest in controlled corporation	98,216,972	9.98%	9.71%
Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) *(note 3)*	Interest in controlled corporation	98,216,972	9.98%	9.71%
Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) *(note 3)*	Interest in controlled corporation	98,216,972	9.98%	9.71%
Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司) *(note 3)*	Interest in controlled corporation	98,216,972	9.98%	9.71%
Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會) *(note 3)*	Interest in controlled corporation	98,216,972	9.98%	9.71%
Fay Jianjiang (費建江) *(note 3)*	Interest in controlled corporation	98,216,972	9.98%	9.71%

Notes:

(1) As of the Latest Practicable Date, WuXi Healthcare Ventures directly held 73,220,361 Shares consisting of 40,000,000 Shares, 24,875,000 Series A-1 Preferred Shares, 7,462,500 Series A-2 Preferred Shares and 882,861 Series B Preferred Shares (of which the Preferred Shares will be converted into Shares on a 1:1 basis by way of re-designation before Listing). To the best knowledge of our Company, WuXi Healthcare Ventures is a limited partnership established under the laws of Cayman Islands managed by its sole general partner, WuXi Healthcare Management, LLC, a Cayman Islands exempted company in which each of its five members holds an equal share of equity interest. For the purpose of the SFO, WuXi Healthcare Management, LLC is deemed to have an interest in the Shares held by WuXi Healthcare Ventures.

(2) As of the Latest Practicable Date, Graceful Beauty Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 36,737,737 Shares, consisting of 10,000,000 Series A-1 Preferred Shares, 22,500,000 Series A-2 Preferred Shares and 4,237,737 Series B Preferred Shares (all of which will be converted into Shares on a 1:1 basis by way of re-designation before Listing). For the purpose of the SFO, each of Boyu Capital Fund II, L.P. (as the sole shareholder of Graceful Beauty Limited), Boyu Capital General Partner II L.P. (as the general partner of Boyu Capital Fund II, L.P.), Boyu Capital General Partner II Ltd. (as the general partner of Boyu Capital General Partner II L.P.), and Boyu Capital Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner II Ltd.) is deemed to have an interest in the Shares held by Graceful Beauty Limited.

(3) As of the Latest Practicable Date, Zhengze Yuanshi directly held 24,554,243 Series A-4 Preferred Shares (which will be converted into Shares on a 1:1 basis by way of re-designation before Listing). Zhengze Yuanshi is managed by its sole general partner, Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)), a limited partnership established in China, in which Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司) has 45% equity interest. Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) and Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. (蘇州工業園區正則既明股權投資管理有限公司) hold 49% and 51% of the issued share capital of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., respectively. Suzhou Oriza Holdings Co., Ltd. is held 70% by Suzhou Industrial Park Economic Development Co., Ltd. (蘇州工業園區經濟發展有限公司), a state-owned enterprise directly under the Suzhou Industrial Park Administrative Committee (蘇州工業園區管委會), a PRC government related institution primarily responsible for implementing government investment functions. Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd. is 45.18% owned by Fay Jianjiang (費建江). For the purpose of the SFO, each of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership), Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd., Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Zhengze Jiming Equity Investment Management Co., Ltd., Suzhou Industrial Park Economic Development Co., Ltd., the Suzhou Industrial Park Administrative Committee and Fay Jianjiang is deemed to have an interest in the Shares held by Zhengze Yuanshi.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of US$95,000,000 (approximately HK$745,446,000) (calculated based on the conversion rate of US$1.00 to HK$7.8468) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$11.10, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 67,156,000 Offer Shares, representing approximately (i) 36.03% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 6.82% of the Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes), and (iii) 6.64% of the Shares in issue immediately upon completion of the Capitalization Issue, the Global Offering and the full exercise of the Over-allotment Option (assuming that no additional Shares are issued pursuant to the Share Incentivization Schemes).

Assuming an Offer Price of HK$11.95, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 62,379,500 Offer Shares, representing approximately (i) 33.47% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 6.34% of the Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised) and no additional Shares are issued pursuant to the Share Incentivization Schemes), and (iii) 6.16% of the Shares in issue immediately upon completion of the Capitalization Issue, the Global Offering and the full exercise of the Over-allotment Option (assuming that no additional Shares are issued pursuant to the Share Incentivization Schemes).

Assuming an Offer Price of HK$12.80, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed by the Cornerstone Investors would be 58,236,500 Offer Shares, representing approximately (i) 31.24% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 5.92% of the Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes), and (iii) 5.75% of the Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering and the full exercise of the Over-allotment Option (assuming that no additional Shares are issued pursuant to the Share Incentivization Schemes).

The Cornerstone Placing will form part of the International Placing and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will not count towards the public float of our Company under Rule 18A.07 of the Listing Rules. Immediately following the completion of the Capitalization Issue and Global Offering, none of the Cornerstone Investors will become a Substantial Shareholder of the Company, and save for Tetrad Ventures Pte Ltd and Boyu Capital Opportunities Master Fund (further details of which are set out below), the Cornerstone Investors will not have any Board representation in our Company. To the best knowledge of our Company, save for Tetrad Ventures Pte Ltd and Boyu Capital Opportunities Master Fund, each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules). The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

Three of the Cornerstone Investors, namely Tetrad Ventures Pte Ltd, Boyu Capital Opportunities Master Fund and GIC Private Limited, which are existing Shareholders of our Company or their close associates, have been permitted to participate in the Cornerstone Placing pursuant to paragraph 5.2 of Stock Exchange Guidance Letter HKEX-GL92-18 and the waiver from Rule 9.09(b) of the Listing Rules.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by 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 Global Offering – Hong Kong Public Offering – Reallocation and Clawback" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around February 25, 2019.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK$11.10 (being the Minimum Offer Price)

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Capitalization Issue and Global Offering	
			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
	(US$ in million)[#]					
Indus Funds	15	10,603,500	5.69%	4.95%	1.08%	1.05%
GIC Tetrad Ventures Pte Ltd	30	21,207,500	11.38%	9.89%	2.16%	2.10%
GIC Private Limited	10	7,069,000	3.79%	3.30%	0.72%	0.70%
Boyu Capital Opportunities Master Fund	20	14,138,000	7.58%	6.60%	1.44%	1.40%
Ishana Capital	20	14,138,000	7.58%	6.60%	1.44%	1.40%
Total	95	67,156,000	36.03%	31.33%	6.82%	6.64%

 # Note: to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

Based on the Offer Price of HK$11.95 (being the mid-point of the Offer Price range)

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Capitalization Issue and Global Offering	
			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
	(US$ in million)[#]					
Indus Funds	15	9,849,500	5.28%	4.59%	1.00%	0.97%
GIC Tetrad Ventures Pte Ltd	30	19,699,000	10.57%	9.19%	2.00%	1.95%
GIC Private Limited	10	6,566,000	3.52%	3.06%	0.67%	0.65%
Boyu Capital Opportunities Master Fund	20	13,132,500	7.05%	6.13%	1.33%	1.30%
Ishana Capital	20	13,132,500	7.05%	6.13%	1.33%	1.30%
Total	95	62,379,500	33.47%	29.10%	6.34%	6.16%

 # Note: to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

Based on the Offer Price of HK$12.80 being the Maximum Offer Price

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Capitalization Issue and Global Offering	
			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
	(US$ in million)[#]					
Indus Funds	15	9,195,000	4.93%	4.29%	0.93%	0.91%
GIC						
Tetrad Ventures Pte Ltd	30	18,390,500	9.87%	8.58%	1.87%	1.82%
GIC Private Limited	10	6,130,000	3.29%	2.86%	0.62%	0.61%
Boyu Capital Opportunities Master Fund	20	12,260,500	6.58%	5.72%	1.25%	1.21%
Ishana Capital	20	12,260,500	6.58%	5.72%	1.25%	1.21%
Total	95	58,236,500	31.24%	27.17%	5.92%	5.75%

 # Note: to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. Indus Funds

Indus Funds refer to funds managed by Indus Capital Partners, LLC (collectively, the "**Indus Funds**"), which have agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with US$15,000,000 at the Offer Price.

Each of the Indus Funds are limited liability companies incorporated in the Cayman Islands.

Indus Capital Partners, LLC (with its affiliates, "**Indus**") is an employee-owned international alternative investment management firm, offering a variety of long/short and long-only equity strategies with a primary focus on Asia Pacific, Japan, and Global Emerging Markets. The firm was founded in 2000 and the partnership possess on average over 26 years' investment experience in the Asia Pacific region. In total, as of January 1, 2019, Indus manages US$4.4 billion of assets for a diverse client base of over 300 investors, including foundations and university endowments, corporate and public pensions, high net worth individuals, family offices, sovereign wealth funds and financial institutions. Indus is headquartered in New York, with offices in Hong Kong, Tokyo, San Francisco and London. Indus is registered as an investment adviser with the Securities and Exchange Commission in the U.S. Its overseas affiliates are regulated by the Securities and Futures Commission in Hong Kong and the Financial Services Agency in Japan.

2. Tetrad Ventures Pte Ltd and GIC

Tetrad Ventures Pte Ltd is a limited company established in Singapore. It is 100% owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte. Ltd. GIC Special Investments Pte. Ltd. is wholly-owned by GIC Private Limited. GIC Private Limited ("**GIC**") is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

Tetrad Ventures Pte Ltd is an existing Shareholder of our Company. As of the Latest Practicable Date, Tetrad Ventures Pte Ltd held 8,828,618 Shares, representing approximately 4.43% of our issued share capital. Our non-executive director Mr. Guobin Zhang (張國斌) was nominated by Tetrad Ventures Pre Ltd. Please refer to the section headed "Directors and Senior Management" in this prospectus for further information of Mr. Guobin Zhang (張國斌).

3. Boyu Capital Opportunities Master Fund

Boyu Capital Opportunities Master Fund, which is an exempted company with limited liability incorporated under the laws of the Cayman Islands, is an investment fund and managed by Boyu Capital Investment Management Limited. Boyu Capital Investment Management Limited is a fund manager that focuses on investing in high quality business franchises with sustainable growth in the healthcare, consumer, TMT and financial sectors.

Boyu Capital Opportunities Master Fund is an affiliate of Boyu Capital Holdings Ltd. which is deemed to have an interest in the Shares held by Graceful Beauty Limited, an existing Substantial Shareholder of our Company. As of the Latest Practicable Date, Graceful Beauty Limited held 36,737,737 Shares, representing approximately 18.42% of our issued share capital. Our non-executive director Mr. Xiaomeng Tong (童小幪) was nominated by Graceful Beauty Limited. Please refer to the section headed "Substantial Shareholders" and "Directors and Senior Management" in this prospectus for further information of Graceful Beauty Limited and Mr. Xiaomeng Tong (童小幪).

4. Ishana Capital

Ishana Capital Limited ("**Ishana Capital**") serves as the sole investment manager of the Ishana Capital Master Fund, Ishana Capital Offshore Fund and Ishana Capital Onshore Fund (collectively the "**Ishana Funds**"), which are limited partnerships formed under the laws of the Cayman Islands. The Ishana Funds manage long-duration capital on behalf of institutional clients including foundations, university endowments, sovereign wealth funds, and family offices.

Founded in 2017, Ishana Capital is a long term capital partner to exceptional businesses, entrepreneurs and management teams. Its investment process is focused on proprietary research and understanding sustainable growth and value creation catalyzed by innovation and industry transformation. The team at Ishana Capital manages a concentrated portfolio of high conviction investments across technology, healthcare and consumer sectors, underwritten over a three to ten year horizon.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) 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 the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) 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;

(iv) 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 the 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

(v) the representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the Cornerstone Investment Agreement are and will be (as of the closing of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

BOARD OF DIRECTORS

As of the date of this prospectus, our Board of Directors consists of 9 Directors, comprising 1 executive Director, 5 non-executive Directors and 3 INEDs.

The table below sets forth certain information in respect of the members of the Board of Directors of our Company:

Name	Age	Date of Joining our Company	Date of Appointment as Director	Position	Roles and Responsibilities
Dr. Frank Ningjun Jiang	58	July 1, 2016	November 3, 2016	Executive Director, Chairman and CEO	Overall strategic planning and business direction; chairman of the Nomination Committee and Strategy Committee
Dr. Wei Li	47	December 2, 2015	December 2, 2015	Non-executive Director	Participating in all key decision-making process in respect of major matters such as formulating overall strategies; member of the Compensation Committee
Mr. Qun Zhao (趙群)	43	April 1, 2016	April 1, 2016	Non-executive Director	Participating in decision-making in respect of major matters such as strategy, etc.

Name	Age	Date of Joining our Company	Date of Appointment as Director	Position	Roles and Responsibilities
Mr. Xiaomeng Tong (童小幪)	45	February 28, 2018	February 28, 2018	Non-executive Director	Participating in decision-making in respect of major matters such as strategy, etc.; member of the Nomination Committee
Mr. Guobin Zhang (張國斌)	38	May 8, 2018	May 8, 2018	Non-executive Director	Participating in decision-making in respect of major matters such as strategy, etc.
Dr. Lian Yong Chen	56	August 14, 2018	August 14, 2018	Non-executive Director	Participating in decision-making in respect of major matters such as strategy, etc.; member of the Strategy Committee
Dr. Paul Herbert Chew	66	Prospectus Date	Prospectus Date	INED	Supervising and providing independent judgment to our Board; member of the Compensation Committee, Audit Committee, Nomination Committee and Strategy Committee

Name	Age	Date of Joining our Company	Date of Appointment as Director	Position	Roles and Responsibilities
Mr. Ting Yuk Anthony Wu (胡定旭)	64	Prospectus Date	Prospectus Date	INED	Supervising and providing independent judgment to our Board; chairman of the Compensation Committee, member of the Audit Committee and Nomination Committee
Mr. Hongbin Sun (孫洪斌)	43	Prospectus Date	Prospectus Date	INED	Supervising and providing independent judgment to our Board; chairman of the Audit Committee and member of the Nomination Committee

Executive Director

Dr. Frank Ningjun Jiang, M.D., Ph.D., aged 58, has been our CEO since July 2016, and was designated as the executive Director in November 2016 and appointed the Chairman of our Board on August 14, 2018.

Dr. Jiang has over a decade of work experience in China and Asia. He first joined Sanofi (NYSE: SNY, EPA: SAN) in China in July 2006 and served as its Global VP (Clinical Operations) from July 2008 to November 2010, during which period he significantly improved clinical operations and efficiency of Sanofi. From November 2010 to June 2016, Dr. Jiang served as Global VP and Head of Asia Pacific R&D with Sanofi China and led the R&D expansion efforts in the Asia Pacific region. Dr. Jiang was responsible for developing and implementing regional R&D strategies to develop innovative healthcare solutions and bring global drugs to the Asia Pacific region faster. During his term of service with Sanofi, he oversaw 79 clinical trials and Sanofi obtained 30 New Drug Approvals in the Asia Pacific region. During his time in China, he established several collaborations with Chinese academic institutions specially to develop innovative medicines in China.

Before coming to China, Dr. Jiang was the global clinical research director at Sanofi US from July 2002 to June 2006, during which period he headed an approximately 21,000-patient megatrial (ExTRACT) comparing enoxaparin with unfractionated heparin for acute myocardial infarction, which resulted in the successful global registration of a blockbuster drug Lovenox. Prior to Sanofi US, Dr. Jiang was a team leader in the clinical research of cardiovascular disease at Eli Lilly and Company in the United States, where he was a key member of a Phase II trial with an anti-inflammatory agent for the treatment of patients with suspected sepsis and organ failure.

Dr. Jiang was certified as a physician in the United States by the Educational Commission for Foreign Medical Graduates in May 1995.

Dr. Jiang received his M.D. in medicine from Nanjing Medical University (南京醫科大學) (formerly known as Nanjing Medical College (南京醫學院)) in Jiangsu, China in December 1982 and a Ph.D. in immunology from the University of British Columbia in Canada in November 1992. He completed a postdoctoral fellowship in clinical chemistry in 1994, an internship in internal medicine in June 1997, and a clinical residency in internal medicine in June 1999 at Washington University School of Medicine in the United States.

Non-executive Directors

Dr. Wei Li, Ph.D., aged 47, has been a Director since December 2015. Dr. Li was re-designated as a non-executive Director on October 29, 2018.

Dr. Li has over 20 years of experience in the biotech industry. He serves as the Managing Partner of 6 Dimensions Capital, L.P. since October 2017 and is a founding partner and the managing partner at WuXi Healthcare Ventures since July 2015.

During his scientific research career, Dr. Li has first-authored numerous scientific publications in journals including Science, Proceedings of the National Academy of Sciences, and Journal of Biological Chemistry.

Dr. Li received a Ph.D. in chemistry from Harvard University in the United States in November 1998, and an MBA from the J. L. Kellogg School of Management at Northwestern University in the United States in June 2003. He graduated with a Bachelor of Science in chemical physics from the University of Science and Technology of China (中國科學技術大學) in Anhui, China in July 1993.

Mr. Qun Zhao (趙群), aged 43, has been a Director since April 2016. Mr. Zhao was re-designated as a non-executive Director on October 29, 2018.

Mr. Zhao has been a partner of Suzhou Industrial Park Oriza Yuandian Venture Capital Management Co., Ltd. (蘇州工業園區元禾原點創業投資管理有限公司), which is a limited partner of Suzhou Industrial Park Zhengze Health Venture Capital Management Centre (Limited Partnership) (蘇州工業園區正則健康創業投資管理中心(有限合夥)), the sole general partner of Zhengze Yuanshi, our Substantial Shareholder since December 2013.

Mr. Zhao has 14 years of experience in pharmaceutical enterprise management. He worked in Tasly Pharmaceutical Group Co., Ltd. (天士力醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600535), from January 1998 to October 2006 where his last position was quality assurance manager. Subsequently, he served in his last position as vice general manager at Tasly Biopharmaceuticals Co., Ltd. (天士力生物醫藥股份有限公司) (previously known as Shanghai Tasly Pharmaceutical Co., Ltd. (上海天士力藥業有限公司)) from October 2006 to February 2012.

Mr. Zhao received an MBA from Nankai University (南開大學) in Tianjin, China in June 2006 and graduated with a Bachelor's degree in pharmaceutical analysis from China Pharmaceutical University (中國藥科大學) in Nanjing, China in July 1998.

Mr. Xiaomeng Tong (童小幪), aged 45, was appointed as a Director in February 2018 and re-designated as a non-executive Director on October 29, 2018.

Mr. Tong has been a co-founder and managing partner of Boyu Capital since May 2011. From October 2008 to April 2011, he was the head of Greater China and managing director of Providence Equity Partners LLC. Prior to joining Providence Equity Partners LLC, Mr. Tong served as the head of Greater China and managing director at General Atlantic Service Company L.P. from July 2000 to September 2008. Before joining General Atlantic Service Company L.P., Mr. Tong worked in the investment banking division at Morgan Stanley & Co. in New York, the United States.

Mr. Tong has been an independent non-executive director of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司), a company listed on the Stock Exchange (stock code: 01060), since June 2014. He has been a non-executive director of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603259 and the Stock Exchange (stock code: 2359)), since March 2017. He has also been a director of Guangzhou Kingmed Diagnostics Group Co., Ltd. (廣州金域醫學檢驗集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603882), since June 2015.

Mr. Tong graduated magna cum laude with a Bachelor's degree in economics from Harvard University in the United States in June 1998.

Mr. Guobin Zhang (**張國斌**), aged 38, has been a Director since May 2018 and was re-designated as a non-executive Director on October 29, 2018.

Prior to joining our Company, Mr. Zhang worked at GIC Special Investments Pte Ltd from September 2006 to August 2009, during which period his last position was Assistant Vice President in the Strategy & Investment Group. From November 2011 to October 2015, he was rehired by GIC Special Investments Pte Ltd, first working as Vice President and then as Senior Vice President I in the Funds & Co-investments Group, Asia. Mr. Zhang was posted to GIC (Beijing) Co Ltd as Senior Vice President I in October 2015, and was relocated to Singapore as Senior Vice President II and Head of Funds & Co-Investments Group, China in October 2018.

Prior to GIC, Mr. Zhang worked at Allianz Capital Partners GmbH Singapore branch from November 2009 to October 2011, first as an associate and then as an investment manager since January 2011 in which role he acted as a fund-of-funds manager, helping to screen, diligence and invest into private equity funds in Asia as well as selected co-investments. He served as a senior officer in the Precision Engineering & Light Industries Division of the Singapore Economic Development Board from September 2003 to September 2006.

Mr. Zhang graduated from the University of Wisconsin-Madison in the United States with a Bachelor of Science degree in chemical engineering in August 2003.

Dr. Lian Yong Chen, aged 56, has been a Director since August 2018 and was designated as a non-executive Director on October 29, 2018.

Dr. Chen has over 20 years of experience in the life sciences industry. He is currently the founding managing partner and chief executive officer of 6 Dimensions Capital, L.P.. He was the founder and managing partner at Frontline BioVentures and a partner at FIL Capital Management (Hong Kong) Limited in Asia from May 2008 to March 2014.

Dr. Chen has been a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603718) since December 2014. Dr. Chen was appointed as a director of Hua Medicine (華領醫藥), a company listed on the Stock Exchange (stock code: 2552), on January 6, 2015. He has also been a director of Hua Medicine Technology (Hong Kong) Limited and Hua Medicine (Shanghai) Co., Ltd., subsidiaries of Hua Medicine, since January 2015 and April 2016 respectively.

Dr. Chen conducted postdoctoral research in chemistry at the Massachusetts Institute of Technology in the United States from August 1991 to December 1992 after obtaining his Ph.D. in chemistry (with top honor) from the University of Louvain, located in Louvain-la-Neuve, Belgium, in June 1991. He graduated from Peking University majoring in chemistry, in Beijing, China in July 1984.

Independent Non-executive Directors

Dr. Paul Herbert Chew, M.D., aged 66, has been appointed as an INED effective as of the date of this prospectus.

Dr. Chew was appointed as the Chief Medical Officer and a director of Phesi in April 2018. He joined Omada Health, Inc. as Chief Medical Officer in January 2017, and was appointed a member of the board of trustees of BioNJ Inc. in March 2015. Dr. Chew was a Senior Vice President, Global Chief Medical Officer and Head of Medical Affairs at Sanofi (NYSE: SNY, EPA: SAN), a global pharmaceutical company based in Paris, from 2013 to 2016. In his position as Global Chief Medical Officer, he represented Sanofi as a member company in the PhRMA Science & Regulatory Affairs Executive Committee. He served as Senior Vice President, Chief Medical Officer/Chief Scientific Officer at Sanofi from 2004 to 2012.

Between 2001 and 2003, he held the position of Vice President, Vice President Global Cardiovascular – Thrombosis Development – Aventis, responsible for Lovenox, Lantus, and the therapeutic development portfolio. In several roles at Sanofi, Dr. Chew worked closely with payers, patient groups, and the full range of healthcare stakeholders.

Dr. Chew served as a member of the Institute of Medicine Value & Science-Driven Healthcare Roundtable, and is a board certified in Internal Medicine and Cardiovascular Diseases.

Dr. Chew graduated with a Doctor of Medicine and a Bachelor of Arts from the Johns Hopkins University School of Medicine in the United States in May 1977 and May 1973, respectively.

Mr. Ting Yuk Anthony Wu (胡定旭), GBS, JP, aged 64, has been appointed as an INED effective as of the date of this prospectus.

Mr. Wu has been an independent non-executive director and chairman of the board of directors of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1515) since August 2018. He has been an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company listed on the Stock Exchange (stock code: 0006) since June 2014. He has been an independent non-executive director of China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司), a company listed on the Stock Exchange (stock code: 0966) from August 2013. He has been an independent non-executive director of Guangdong Investment Ltd. (粵海投資有限公司), a company listed on the Stock Exchange (stock code: 0270) since August 2012.

Between March 2015 and August 2018, Mr. Wu was the chairman and an executive director at Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 0444), where he also acted as deputy chairman from October 2016 to August 2018. Between July 2011 and September 2014, he served as a director of Fidelity Funds. He served as an independent non-executive director of Agricultural Bank of China Limited (中國農業銀行股份有限公司), a company listed on the Stock Exchange (stock code: 01288), from January 2009 to June 2015. Mr. Wu joined the Hong Kong Hospital Authority (醫院管理局) in 1999 and was formerly its chairman from 2004 to 2013. Between 2010 and 2012, he was and the chairman of the Chamber Council and is now a member of the consultation committee of the Hong Kong General Chamber of Commerce. He was a partner of Ernst & Young from July 1985 to December 2005 and served as chairman of Ernst & Young Far East and China Practice from January 2000 to December 2005.

Mr. Wu was admitted as a member of the Institute of Chartered Accountants in England and Wales in November 1979 and became a fellow in October 1990. He was also admitted as a member of the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Association of Chartered Certified Accountants.

Mr. Wu was appointed by the Government of Hong Kong as Justice of the Peace and awarded Gold Bauhinia Star in 2004 and 2008, respectively. Mr. Wu finished a Foundation Course in Accountancy in Teesside Polytechnic in the United Kingdom in July 1975. Mr. Wu has also served in different capacities in the following organizations:

- as the honorary chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch from January 2016 to December 2018
- as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development from March 2018 to June 2020
- as a member of the 12th and 13th Standing Committee of the Chinese People's Political Consultative Conference National Committee
- as an expert advisor of the 2nd Chinese Medicine Reform and Development Advisory Committee of the State Administration of Traditional Chinese Medicine (國家中醫藥管理局第二屆中醫藥改革發展專家諮詢委員會) from December 2017 to November 2020

On December 24. 2013, the Disciplinary Committee of the HKICPA found Mr. Wu's failure to observe, maintain or otherwise apply the requirements of HKICPA in preserving the appearance of independence by acting as an independent financial advisor on behalf of EY to a non-listed company whilst also a senior partner of EY, who acted as auditors of such company in respect of the financial years ended December 31, 1995 to December 31, 1997, and is therefore a deemed auditor of that company under the Companies Ordinance, to be professional misconduct. Mr. Wu was ordered to pay a penalty of HK$250,000, had his name removed from the register of certified public accountants for a period of two years from July 23, 2014, and together with the other respondents, was ordered to pay the costs of HK$2 million to HKICPA.

Mr. Hongbin Sun (孫洪斌), aged 43 has been appointed as an INED effective as of the date of this prospectus.

Mr. Sun has over 20 years of finance experience. He has been an independent non-executive director of New Century Healthcare Holding Co., Limited (新世紀醫療控股有限公司), a company listed on the Stock Exchange (stock code: 1518), since December 2016. He has been the chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司), a company listed on the Stock Exchange (stock code: 0853), since September 2010 and served as its executive director from July 2010 to September 2012. He was the deputy financial director of Otsuka (China) Investment Co., Ltd. (大塚(中國)投資有限公司) from January 2004 to December 2005 and then worked as its general manager from January 2006 to August 2010. From August 1998 to January 2004, he was an assistant manager in the Audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. Sun has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2009 and also a Chartered Financial Analyst in September 2009.

He received his bachelor's degree in accounting from Shanghai Jiao Tong University (上海交通大學) in China in July 1998.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company:

Name	Age	Date of Joining our Company	Date of Appointment	Position	Roles and Responsibilities
Dr. Frank Ningjun Jiang	58	July 1, 2016	November 3, 2016	Executive Director, Chairman and CEO	Overall strategic planning and business direction
Dr. Jianxin Yang	55	December 7, 2016	December 7, 2016	Senior Vice President and Chief Medical Officer	Overall management of clinical development and regulatory affairs
Mr. Richard Yeh	50	July 23, 2018	July 23, 2018	Chief Financial Officer	Overall strategic planning, developing financial strategies and investor relations
Dr. Bing Yuan	49	November 28, 2016	November 28, 2016	Senior Vice President and Chief Business Officer	Overall management of business development, commercial strategy and planning, government affairs, public relations and supporting the CEO in strategic planning
Dr. Xinzhong Wang	55	June 5, 2017	June 5, 2017	Senior Vice President and Chief Scientific Officer	Overall scientific development of portfolio and technology platforms

Name	Age	Date of Joining our Company	Date of Appointment	Position	Roles and Responsibilities
Dr. Ngai Chiu Archie Tse (謝毅釗)	52	December 6, 2018	December 6, 2018	Senior Vice President and Chief Translational Medicine Office	Development of assets at the early clinical development stage up to proof of concept
Dr. Jingrong Li	58	December 20, 2016	December 20, 2016	Senior Vice President	Overall management of product development and manufacturing

Dr. Frank Ningjun Jiang, M.D., Ph.D., aged 58, has been the CEO of our Company since July 2016. For further details, please see the paragraphs headed "Executive Director" in this section.

Dr. Jianxin Yang, M.D., Ph.D., aged 55, has been our Senior Vice President and Chief Medical Officer since December 2016. In this role, he is responsible for developing and implementing the overall clinical strategy.

Dr. Yang has over 21 years of experience in biomedical research and clinical development of oncology drugs in the US and China. Prior to joining our Company, he served as the senior vice president and head of clinical development at BeiGene Inc. (NASDAQ: BGNE, HKSE: 6160) from July 2014 to December 2016. He led BeiGene Inc.'s clinical team in clinical development of its oncology pipeline, and developed the first anti-PD-1 mAb originated in China.

Prior to joining BeiGene Inc., Dr. Yang served as a medical director at Covance Inc. from September 2011 to July 2014. He further worked in Pfizer Inc. for global research and development, and served as a research scientist in cancer genomics division at Tularik Inc. (acquired by Amgen Inc. in 2004).

Throughout his career, Dr. Yang has made significant contributions to the successful development of several anticancer drugs. He is also the author of over 30 publications and the inventor of 9 patents. In 2015, he was enrolled as a "Distinguished Expert" in the "1000 Talents Program" run by the Organization Department of the Communist Party of China (中國共產黨中央委員會組織部) and the Ministry of Human Resources and Social Security (人力資源和社會保障部) of the PRC. In July 2015, Dr. Yang was honored as a "High-Caliber Talent from Overseas" by the Organization Department of the CPC Beijing Central Municipal Committee (中共北京市委組織部) and the Beijing Municipal Bureau of Human Resources and Social Security (北京市人力資源和社會保障局).

Dr. Yang received a bachelor's degree in medicine from Hubei Medical College (湖北醫學院) in Hubei, China in July 1985 and a master's degree in pathophysiology from Nanjing Medical College (南京醫學院), (currently known as Nanjing Medical University (南京醫科大學)) in Nanjing, China in July 1988. He then received his Ph.D. training in biochemistry and molecular biology with Nobel Laureates Drs. Michael S. Brown and Joseph L. Goldstein at the University of Texas Southwestern Medical Center at Dallas, US in June 1995. He conducted his postdoctoral training in chemical biology with Dr. Stuart L. Schreiber at Harvard University in the United States in 1997.

Mr. Richard Yeh, aged 50, has been our Chief Financial Officer since July 2018. In this role, he is responsible for developing corporate financial strategies, and oversees investor relations, financial reporting, risk management, funding and IPO.

He has over 20 years of experience working for investment banks and multinational biopharmaceutical companies. Prior to joining our Company, Mr. Yeh was the managing director and the business unit leader of Asia Pacific healthcare equity research at Goldman Sachs (Asia) L.L.C. in Hong Kong. He led the firm's research efforts on the Chinese and Asian healthcare market. Before that, Mr. Yeh served as the head of China healthcare research team at Citigroup Capital Markets Asia Limited.

Prior to focusing on the Chinese healthcare sector, Mr. Yeh worked in the US biotechnology sector. He joined Amgen Inc., a leading global biotechnology company traded on the NASDAQ stock exchange (stock code: AMGN), in the position of Research Associate II in October 1995, conducting drug discovery research.

Mr. Yeh obtained an MBA from Cornell University in the United States in May 2002 and a Master of Science in medical biophysics from the University of Toronto and Ontario Cancer Institute in Canada in November 1995. He graduated from the University of Manitoba in Canada with a bachelor's degree in medical biophysics in May 1993.

Dr. Bing Yuan, Ph.D., aged 49, is our Senior Vice President and Chief Business Officer and joined our Company in November 2016. In this role, he is responsible for commercial/business related functions, including commercial strategy and planning, business development, government affairs, public relations and supporting the CEO in strategic planning.

Dr. Yuan is a seasoned business executive with extensive experience in global business development and marketing strategy and made significant contributions to several global oncology brands. Before joining our Company, Dr. Yuan was Executive Director and Global Lead of Late Stage Oncology BD&L at Merck & Co., Inc., where he was instrumental in Keytruda clinical combination partnerships and several immuno-oncology deals.

Before Merck, he held various global oncology commercial positions with increasing responsibilities at Novartis Pharmaceuticals from January 2008 to July 2014, most recently as executive director and Head of Life Cycle Strategy. Before joining Novartis, he served as a senior manager for global marketing of oncology at Eisai Inc.

Dr. Yuan received an MBA from Cornell University in the United States in May 2002, a Master of Arts, a Master of Philosophy and a Ph.D. in cellular, molecular and biomedical studies from Columbia University in the United States in October 1995, October 1997 and May 2000 respectively, and a Bachelor of Science in biochemistry from Nanjing University (南京大學) in Nanjing, China in July 1991.

Dr. Xinzhong Wang, Ph.D., aged 55, is our Senior Vice President and Chief Scientific Officer and joined our Company in June 2017. In this role, he is responsible for the development of internal pipeline and advancement to and filing for investigational new drug (IND). He also overseas our Company's Translational Medicine Research Center (TMRC) in Suzhou and is in charge of establishing collaboration with industrial partners and academic institutions to drive innovation in drug development.

Dr. Wang is an accomplished scientific leader with over 20 years of experience in oncology research and drug development in biopharmaceutical industry. He has extensive experience in tumor immunology, molecular and cell biology, drug target discovery, animal modeling, and protein therapeutics development. He has published more than 30 original scientific papers in prestigious journals and is the inventor or co-inventor of several international patents including four granted patents.

Before joining our Company, Dr. Wang was a director/senior principal scientist of immuno-oncology research at Merck Research Laboratories in Boston, Massachusetts of Merck and Co., Inc. (known as MSD outside of US and Canada) from January 2014 to June 2017. He led and oversaw research projects in relation to immunomodulatory receptor programs with Keytruda as backbone program. He also actively participated in evaluating business development opportunities to enrich Merck's pipeline and expand the Keytruda franchise.

Prior to joining Merck, Dr. Wang served as an associate director and a principal scientist of BioSuperiors Department at AstraZeneca/MedImmune LLC from April 2011 and January 2014. Previously, he worked at Biogen Idec. as a senior scientist at Gene Therapy group and then a principal scientist of tumor immunology from August 2002 to January 2011.

Dr. Wang graduated from Nankai University (南開大學) in Tianjin, China with a Bachelor of Science degree in biochemistry in July 1983 and received a Ph.D. in molecular and cellular biology from Ohio University, US in August 1993. He completed his postdoctoral training at the Gene Therapy Center of Massachusetts General Hospital in the United States from 1995 to 1998, and subsequently served as an instructor of medicine at Harvard Medical School in the United States from 1998 to 2001.

Dr. Ngai Chiu Archie Tse (謝毅釗), M.D., Ph.D., aged 52, is our Senior Vice President and Chief Translational Medicine Officer and joined our Company in December 2018. In this role, he is responsible for the development of assets at the early clinical development stage up to proof of concept. Dr. Tse also serves as the Secretariat of the Portfolio Review Board to assist Dr. Frank Ningjun Jiang, CEO and Chairman of our Board, in the development and implementation of our portfolio strategy and coordinate the Scientific Advisory Board to facilitate development and execution of our clinical strategy.

Dr. Tse is an accomplished medical and scientific leader with over 20 years of global oncology experience in the clinic and pharmaceutical institutions. Prior to joining our Company, Dr. Tse was a Distinguished Scientist (Executive Director) at Merck (known as MSD outside of US and Canada) from September 2015 to December 2018 in which role he oversaw the early clinical development of a number of novel agents in the immune-oncology pipeline, spanning various mechanisms and action and modalities. The programs he played a key role in spanned various mechanisms of action and modalities included, but not limited to, anti-CTLA4, STING agonists, bispecific Nandobodies, novel myeloid targets, oncolytic virus and personalized cancer vaccines. From January 2010 to August 2015, he served at Daiichi Sankyo Pharma Development, a Division of Daiichi-Sankyo, Inc., where his last title was Senior Director, Clinical Development. From July 2003 to December 2009, Dr. Tse served at the US Memorial Sloan Kettering Cancer Center (MSKCC) as Clinical Assistant in the Medicine/Gastrointestinal Oncology Department, and during the same period he was also a faculty member at the MSKCC affiliated Weill Cornell Medical School.

Dr. Tse obtained certification from American Board of Internal Medicine (ABMS) in medical oncology from November 2003 to December 2013 and in general internal medicine from August 2000 to December 2010.

Dr. Tse obtained his M.D. and a Ph.D. in Biochemistry & Molecular Biology from the University of Southern California in the United States in May 1997 and May 2002, respectively.

Dr. Jingrong Li, Ph.D., aged 58, is our Senior Vice President of Product Development and Manufacturing and joined our Company in December 2016. In this role, he is responsible for all CMC related affairs to ensure processes mature appropriately and meet requirements for all development stages, including bio/process development, scale-up, and analytical development.

Dr. Li worked as an executive director at Simcere Pharmaceutical (先聲藥業) from September 2011 and then as the general manager of BioSciKin Bio (百家滙生物), a subsidiary of Simcere, overseeing its operation and management from May 2016 to December 2016. He also served as a manager principal scientist at Roche Molecular Systems Inc. Between January 2000 and November 2003, Dr. Li was a full-time senior scientist at BioSpecifics Technologies Corp.

Dr. Li served as a NMPA-appointed expert for the Institute of Executive Development Training organized by the National Medical Products Administration.

Dr. Li obtained a Ph.D. in medicinal chemistry from China Pharmaceutical University (中國藥科大學) in Nanjing, China in July 1990. After that, in the Department of Pharmacology at the Mount Sinai School of Medicine in New York, US, he worked as a post-doctorate with Dr. Sherwin Wilk from 1992 to 1996 and then as an instructor from 1996 to 2000.

Directors' and Senior Management's Interests

Save as disclosed above, none of our Directors or senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the Shares held by Dr. Frank Ningjun Jiang, CEO and Chairman of our Board, which are disclosed in the section headed "Statutory and General Information – Further Information about Our Directors" in Appendix V in this prospectus, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

As of the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

COMPANY SECRETARY

Ms. Yeung Ching Man (楊靜文), was appointed as our Company Secretary on October 29, 2018. She currently serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited) ("**SWCS**").

Prior to joining SWCS, Ms. Yeung worked at KPMG as an assistant manager from July 2006 to September 2010. After that, she worked in the Listing & Regulatory Affairs Division of the Hong Kong Exchanges and Clearing Limited from September 2010 to June 2018, where her last position was Assistant Vice President.

Ms. Yeung graduated from The Chinese University of Hong Kong where she obtained a Bachelor's degree in business administration in December 2006. She graduated from The University of Hong Kong where she obtained a Master of Laws in corporate and financial law in December 2014. Ms. Yeung has been a member of the Hong Kong Institute of Certified Public Accountants since September 2009.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Employment Arrangements of Senior Management

We normally enter into (i) an employment contract, and (ii) a proprietary inventions and non-compete agreement with our senior management members. Below sets forth the key terms of these contracts we enter into with our senior management.

- *Terms:* We normally enter into three to five years' employment contract with our senior management members.

- *No conflict:* During the term of the employment, the employee shall work on a full-time basis for us and shall not, without express prior written approval from the Company, work as an employee or consultant of any other organization or engage in any other activities which conflict with the obligations to the Company.

Confidentiality

- *Confidential information:* The employee shall keep confidential information, including but not limited to our inventions, trade secrets, knowledge or data of our Company or any such information of our clients, customers, consultants, shareholders, licensees, licensors, vendors or affiliates in confidence.

- *Obligation and duration:* The employee (i) shall not, for the term of their employment and thereafter, directly or indirectly, use, divulge, publish or otherwise disclose or allow to be disclosed any aspect of any confidential information, (ii) shall refrain from any action or conduct which might be reasonably expected to compromise the confidentiality or proprietary nature of any confidential information, and (iii) shall follow good faith recommendations made by the Board from time to time regarding confidential information.

Inventions Assignment

- *Acknowledgement:* The employee acknowledges and agrees that we shall have a complete, absolute and exclusive right, title and interest in the work that they produce, solely or jointly with others, (a) during the period of the employer's employment with the Company (i) that relates to the actual or demonstrably anticipated business, work, or research and development of our Company, (ii) that is developed in whole or in part using our equipment, supplies, facilities or confidential information or (iii) that results from any task assigned to the employee, any work performed by the employee for us and on our behalf, or are otherwise within the employee's scope of work with our Company, and (b) within 5 years after termination of employment that are based on any confidential information of our Company.

- *Assignment:* The employee agrees to assign, upon entering into the agreement, any rights, title or interest falling within the above scope to us. The employee further agrees to grant an exclusive, royalty-free, assignable, irrevocable and worldwide license to us for any such rights that cannot be assigned to us.

Non-competition and Non-solicitation

- *Non-competition obligation*: the employee shall not, directly or indirectly, engage in any work, employment, consulting or other services for any other person or business whose products are with substantially similar indications as our existing products at the time of termination. The employee is not prohibited from purchasing or owning less than 5% of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that the employee is not a controlling person of, or a member of a group that controls, such corporation.

- *Non-solicitation obligation*: the employee shall not, directly or indirectly, either on their own or on another person's behalf, (i) solicitor, induce, attempt to induce any of our employees or independent contractors to terminate their employment or other engagement with us, or (ii) hire, recruit or attempt to hire, or engage or attempt to engage as an independent contractor, any person who was employed or otherwise engaged by us at any time during the employee's employment, except for the recruitment or hiring or other engagement of any individual whose employment or other engagement with us has been terminated for a period of 6 months or longer.

- *Duration*: the non-competition and non-solicitation obligations shall subsist throughout the employee's period of employment and up to 12 months after termination of employment.

Directors' Service Contracts and Remuneration

The Company does not have service contracts with any of its Directors. Each of the independent non-executive Directors has entered into an appointment letter with our Company effective upon the date of this prospectus. For additional information on the appointment letters, please refer to the section headed "Statutory and General Information – Further Information about Our Directors – Particulars of Directors' Service Contracts and Appointment Letters" in Appendix V in this prospectus.

During the Track Record Period, no remuneration was paid to our Directors in the capacity as a Director. It is estimated that no remuneration will be paid to our Directors by us in respect of the financial year ending December 31, 2018 under arrangements in force at the Latest Practicable Date.

During the Track Record Period, the five highest paid individuals of the Group included one Director, namely Dr. Frank Ningjun Jiang, Chairman of our Board, in his capacity as the CEO of our Company. The aggregate amount of fees, salaries and other allowances, performance related bonus, retirement benefit scheme contributions and share-based payment expenses we paid or payable to Dr. Jiang were approximately RMB8.33 million, RMB15.40 million and RMB116.58 million for the two years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, respectively. It is estimated that emoluments of approximately RMB68.36 million in aggregate will be paid to Dr. Jiang, CEO and Chairman of our Board, in his capacity as our CEO in respect of the financial year ending December 31, 2018 under arrangements in force at the Latest Practicable Date. The aggregate amount of emoluments which were paid by the Company for the remaining four individuals for the Track Record Period were approximately RMB4.13 million, RMB20.72 million and RMB46.88 million, respectively.

During the Track Record Period, no emoluments were paid to our Directors and the five highest paid individuals (including one Director and four employees) as an inducement to join, or upon joining, the Group or as compensation for loss of office.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 10 of the Accountants' Report set out in Appendix I in this prospectus.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

We have established the following committees in our Board of Directors: an Audit Committee, a Compensation Committee, a Nomination Committee and a Strategy Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The Audit Committee consists of three INEDs, namely, Dr. Paul Herbert Chew, Mr. Hongbin Sun, and Mr. Ting Yuk Anthony Wu. Mr. Hongbin Sun, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist our Board of Directors by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board of Directors.

Compensation Committee

The Company has established the Compensation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The Compensation Committee consists of one non-executive Director, namely Dr. Wei Li, and two INEDs, namely, Dr. Paul Herbert Chew and Mr. Ting Yuk Anthony Wu. Mr. Ting Yuk Anthony Wu is the chairman of the Compensation Committee. The primary duties of the Compensation Committee include, but are not limited to, the following: (i) making recommendations to the Board of Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board of Directors from time to time.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The Nomination Committee consists of one executive Director, namely, Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, one non-executive Director, namely, Mr. Xiaomeng Tong, and three INEDs, namely, Dr. Paul Herbert Chew, Mr. Hongbin Sun and Mr. Ting Yuk Anthony Wu. Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, is the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of INEDs and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

Strategy Committee

The Company has established a Strategy Committee which consists of Dr. Frank Ningjun Jiang, Dr. Lian Yong Chen and Dr. Paul Herbert Chew, with Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, as the chairman of the committee. The primary functions of the Strategy Committee is to review and advise on our mid to long term strategic positioning and development plans and to monitor the implementations of our development plans.

Corporate Governance Code

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the Chairman and the CEO should be segregated and should not be performed by the same individual. We do not have a separate Chairman and CEO and Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board, currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his

roles in our Company as mentioned above, Dr. Jiang is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our CEO. Our Board also believes that the combined role of Chairman and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairman of our Board and the CEO of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code after the Listing save for matters disclosed above.

Diversity

We are committed to promote diversity in the Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. Furthermore, our Directors range from 38 years old to 66 years old.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Subsequent to 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.

Compliance Adviser

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain

circumstances including: (a) before the publication of any regulatory announcement, circular, or financial report; (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and (d) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

FUTURE PLANS

See "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,066.98 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$11.95 per Offer Share, being the mid-point of the indicative Offer Price range of HK$11.10 to HK$12.80 per Offer Share in this prospectus. If the Offer Price is set at HK$12.80 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$151.77 million. If the Offer Price is set at HK$11.10 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$151.77 million.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately HK$620.09 million (representing 30.0% of the net proceeds) is allocated to our Core Product Candidate as follows:
  - approximately HK$429.93 million (representing 20.8% of the net proceeds) is expected to fund ongoing and planned clinical trials of CS1001, as described in the "Business" section of this prospectus,
  - approximately HK$18.60 million (representing 0.9% of the net proceeds) is expected to fund the preparation of CS1001 registration filings, and
  - approximately HK$171.56 million (representing 8.3% of the net proceeds) is expected to fund the launch, and subject to regulatory approval, commercialization (including sales and marketing) of CS1001;
- approximately HK$826.79 million (representing 40.0% of the net proceeds) is allocated to eight of our other clinical and IND stage candidates in our pipeline as follows:
  - approximately HK$545.68 million (representing 26.4% of the net proceeds) is expected to fund ongoing and planned clinical trials of our other clinical and IND stage candidates in our pipeline, as described in the "Business" section of this prospectus,
  - approximately HK$107.48 million (representing 5.2% of the net proceeds) is expected to fund the preparation of registration filings for our other clinical and IND stage candidates in our pipeline, and

  - approximately HK$173.63 million (representing 8.4% of the net proceeds) is expected to fund the launch and, subject to regulatory approval, commercialization (including sales and marketing) of our other clinical and IND stage candidates in our pipeline;

- approximately HK$413.40 million (representing 20% of the net proceeds) is expected to fund the R&D of five of the remaining drug candidates in our pipeline and the R&D and in-licensing of new drug candidates; and

- approximately HK$206.70 million (representing 10% of the net proceeds) is expected to fund working capital and other general corporate purposes.

As mentioned above, HK$826.79 million (representing 40% of the net proceeds) that is allocated to our other clinical and IND stage candidates in our pipeline is expected to fund the ongoing and planned clinical trials, preparation of registration filings and planned commercial launches (including sales and marketing) of eight of our other clinical or IND stage drug candidates as follows:

- HK$177.76 million (representing 8.6% of the net proceeds) is expected to fund ivosidenib (CS3010, AG-120);

- HK$62.01 million (representing 3.0% of the net proceeds) is expected to fund avapritinib (CS3007, BLU-285);

- HK$155.02 million (representing 7.5% of the net proceeds) is expected to fund CS3009 (BLU-667);

- HK$59.94 million (representing 2.9% of the net proceeds) is expected to fund CS3008 (BLU-554);

- HK$72.34 million (representing 3.5% of the net proceeds) is expected to fund CS1002;

- HK$183.96 million (representing 8.9% of the net proceeds) is expected to fund CS1003;

- HK$86.81 million (representing 4.2% of the net proceeds) is expected to fund CS3006; and

- HK$28.94 million (representing 1.4% of the net proceeds) is expected to fund CS3003.

Based on the estimate from our ongoing clinical trials, the baseline per patient cost for Phase Ia clinical trials of CS1001 in Greater China is expected to be between US$100,000 and US$120,000; for Phase Ib, Phase II and Phase III clinical trials of CS1001 in Greater China,

the per patient cost is expected to be between US$50,000 and US$70,000. For Phase I clinical trials of CS1001 in the U.S., the per patient cost is expected to be approximately US$150,000. We have not initiated any clinical trial of CS1001 in Australia, and based on per patient cost from our MEK and PD-1 trials, we estimate the per patient cost for Phase I clinical trials of CS1001 in Australia to be between US$70,000 and US$100,000. These estimates reflect our current views and are not a guarantee of our future clinical trial costs. Actual per patient cost for clinical trials of CS1001 may differ materially from these estimates as a result of a number of factors, including but not limited to indications, trial design, data requirements, trial timeframe, patient enrollment and trial sites.

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.

If the Over-allotment Option is exercised in full, net proceeds that we will receive will be approximately HK$2,387 million, assuming an Offer Price of HK$11.95 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purpose in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments with banks or financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries such that the net proceeds of this Global Offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities or designated banks are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all, as PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the net proceeds of this Global Offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See "Risk Factors – Risk Relating to Our Doing Business in the PRC" in this prospectus.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited
UBS AG Hong Kong Branch
China Merchants Securities (HK) Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 18,640,000 Hong Kong Offer Shares and the International Offering of initially 167,756,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 18,640,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in the Shares in issue and to be offered as mentioned in this prospectus and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally 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 set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 am on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled to terminate the Hong Kong Underwriting Agreement by written notice to the Company with immediate effect:

(a) there develops, occurs, exists or comes into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(v) any new law or regulation, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws or regulations, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(ix) a Director or a member of the Group's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management or taking directorship of a company; or

(x) the chairman, the CEO or the chief financial officer of the Company vacating his or her office; or

(xi) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws and regulations; or

(xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) 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 and regulations; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) a materialization of any of the risks set out in the section headed "Risk Factors" of the Hong Kong Prospectus; or

(xvii) any order or petition for the winding up or liquidation (other than voluntary winding up of any subsidiary of the Company due to a *bona fide* internal reorganisation) of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice, the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the preliminary offering circular, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto) (but excluding the following information relating to the Underwriters for the use in the Offer Related Documents, namely, the marketing name, legal name, logo and address of such Underwriters) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to this Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the terms of the Hong Kong Underwriting Agreement; or

(v) any material adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the Warranties; or

(vii) 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

(viii) the Company withdraws any of the Offer Related Documents or the Global Offering; or

(ix) any person (other than the Joint Sponsors) has withdrawn its consent to being named in this prospectus or to the issue of any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement).

Undertakings by the Company pursuant to the Hong Kong Underwriting Agreement

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option, the Capitalization Issue and the Share Incentivization Schemes and otherwise pursuant to the Listing Rules), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), the Company hereby undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (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, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined below) 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 shares or other securities of such other member of the Group, as applicable, 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 any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, 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 subscription or ownership (whether legal or beneficial) of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, 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 any shares of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the

issue of such Shares or other shares or securities will be completed within the First Six-Month Period). "Encumbrance" means any 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. In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Hong Kong Underwriters' interests in the Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or purchase, or nominate persons to subscribe for or purchase, any Shares or any securities in our Company or any member of the Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Undertakings by the Company pursuant to the Listing Rules

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the Capitalization Issue, Over-allotment Option or pursuant to the Share Incentivization Schemes, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our Shares first commence dealing 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 dealing).

Undertakings by the Controlling Shareholders pursuant to the Listing Rules

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company, each of the Joint Global Coordinators (for themselves and on behalf of each of the Underwriters) and the Stock Exchange that, except in compliance with the requirements of the Listing Rules or pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, the Controlling Shareholders shall not in the period commencing on the date by reference to which disclosure of their shareholdings are 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 "**Six-month Period**"), either directly or indirectly, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of the Company in respect of which they are shown in this prospectus to be the beneficial owner(s) (the "**Relevant Securities**") (save for a pledge or charge of any Relevant Securities as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan).

In addition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company, each of the Joint Global Coordinators (for themselves and on behalf of each of the Underwriters) and the Stock Exchange that, during the Six-month Period:

(a) when the Controlling Shareholders pledge or charge any Relevant Securities in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan in accordance with Note (2) to Rule 10.07(2) of the Listing Rules, they shall immediately inform the Company and each of the Joint Global Coordinators in writing of such pledge or charge together with the number of the Relevant Securities so pledged or charged; and

(b) when the Controlling Shareholders receive any indication, either verbal or written, from any such pledgee or chargee of the Relevant Securities that any of the pledged or charged Relevant Securities will be disposed of, they shall immediately inform the Company and each of the Joint Global Coordinators in writing of such indications.

As a Pre-IPO Investor, the Controlling Shareholders have also entered into an additional lock-up undertaking in favour of the Company and Joint Global Coordinators (on behalf of the Underwriters), as described in the section headed "– Undertakings by certain Shareholders".

Undertakings by certain Shareholders

Each of 3W Partners Fund II, L.P., 6 Dimensions Affiliates Fund, L.P., 6 Dimensions Capital, L.P., Andy Tian Fu, Arch Venture Fund IX Overage, L.P., Arch Venture Fund IX, L.P., Bing Yuan, CJS Medical Investment Limited, Fay Xing, CStone Incentivization Limited, Frank Ningjun Jiang, Golden & Longevity Porfolios L.P., Graceful Beauty Limited, HH CST Holdings Limited, Hikeo Biotech L.P., Huifu Investments Limited, Jiang Irrevocable Gifting Trust BFO: YANNI XIAO DATED NOVEMBER 21, 2018, Jianxin Yang, Kaitai International Funds SPC, King Star Med LP, Li Jingrong, Oriza Seed Fund I L.P., Pure Progress International Limited, SCC Growth IV Holdco G, Ltd., Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P., Taikang Kaitai (Cayman) Special Opportunity I, Terra Magnum CST LLC, Tetrad Ventures Pte Ltd, Wang Xinzhong, YF IV Checkpoint Limited and the Controlling Shareholders (the "**Undersigned Shareholders**", and each, an "**Undersigned Shareholder**") have entered into a lock-up undertaking letter (the "**Lock-up Undertakings**") in favour of the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Pursuant to the Lock-up Undertakings, which are largely similar in form, save for certain special circumstances, each of the Undersigned Shareholders undertakes that, *inter alia*, the Undersigned Shareholders will not, and will procure that no company or legal entity controlled by the Undersigned Shareholder or any nominee or trustee holding in trust for the Undersigned Shareholder will, at any time during the period of six (6) months from the Listing Date (the "**Lock-up Period**") without the prior written consent of the Company and the Joint Global Coordinators:

(a) offer, pledge, charge, 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 an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) held by the Undersigned Shareholder as at the date of the Lock-up Undertaking (the "**Locked-up Shares**");

(b) enter into any swap or any other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Shares;

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in paragraphs (a), (b) or (c) above,

whether any such transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period).

In addition, certain of the Undersigned Shareholders undertakes to the Company and each of the Joint Global Coordinators (for themselves and on behalf of each of the Underwriters) that they will not and will procure that no company or legal entity controlled by the Undersigned Shareholder or under the control of the same holding company as the Undersigned Shareholder or any nominee or trustee holding in trust for the Undersigned Shareholder, will, at any time during the Lock-up Period, enter into any purchase and sale or sale and purchase of Shares or other securities of the Company with the effect of creating a short position or enter into any transaction with the same economic effect.

Pursuant to the Lock-up Undertakings, the lock-up restrictions do not prevent the Undersigned Shareholder from, *inter alia*:

(a) transferring any Locked-up Shares required by applicable law or regulations;

(b) transferring shares with the prior written consent of the Company and the Joint Global Coordinators;

(c) using the Locked-up Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, subject to certain restrictions set out in the Lock-up Undertaking including restrictions from disposal by the person making such loans during the Lock-up Period or notification to the Company and Joint Global Coordinators if the Undersigned Shareholder receives indications that the Locked-up Shares will be disposed following a default under such loan;

(d) purchasing or acquiring securities of the Company on or after the Listing Date (including any Shares subscribed or purchased by the Undersigned Shareholders as part of the Global Offering) or the sale of such securities purchased or acquired after the Listing Date;

(e) where expressly provided for in the Lock-up Undertaking, transferring the Locked-up Shares to transferees affiliated with the Undersigned Shareholder, provided that the transferee or transferees thereof agree to be bound in writing by the restrictions set forth therein.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares initially

being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering – The International Offering".

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue up to an aggregate of 27,959,000 Shares, representing not more than 15% of the maximum number of Offer Shares initially available under the Global Offering at the Offer Price to, cover over allocations (if any) in the International Offering. See "Structure of the Global Offering – 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 shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commissions and Expenses

For any unsubscribed Hong Kong Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Placing, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$11.95 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$102.46 million, inclusive of sponsor fees.

The Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price of all the Offer Shares (excluding any Hong Kong Offer Shares reallocated to the International Offering).

Our Company may pay to the Joint Sponsors and Joint Global Coordinators for their respective accounts an incentive fee up to but not exceeding 1.00% of the aggregate Offer Price for each Offer Share.

Assuming an Offer Price of HK$11.95 per Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "**Commissions and Fees**") are estimated to be approximately HK$160.45 million (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes) in total.

The Commissions and Fees were determined after arm's-length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses that they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the 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 any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering consists of:

(i) the Hong Kong Public Offering of 18,640,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed "– The Hong Kong Public Offering" in this prospectus; and

(ii) the International Offering of 167,756,000 Shares (subject to reallocation as mentioned below) outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 18.9% of the total issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued under the Share Incentivization Schemes). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 21.2% of the enlarged issued share capital immediately following the completion of the Global Offering, the Capitalization Issue and the exercise of the Over-allotment Option (assuming no additional Shares are issued under the Share Incentivization Schemes) as set out in the paragraph headed "– The International Offering – Over-allotment Option" below.

(A) Hong Kong Public Offering

(1) Number of Offer Shares initially offered

The Company is initially offering 18,640,000 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, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering. This will represent approximately 1.89% of the total Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued under the Share Incentivization Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities that regularly invest in shares and other securities. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong, other jurisdictions outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed "– Pricing of the Global Offering" below.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered 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 it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "– Conditions of the Global Offering" below.

(2) Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer

Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares 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.

For allocation purposes only, the 18,640,000 Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: Pool A comprising 9,320,000 Hong Kong Offer Shares and Pool B comprising 9,320,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If any Hong Kong Offer Shares in one pool (but not both pools) are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between the pools and any application for more than 50% of the 18,640,000 Shares initially comprised in the Hong Kong Public Offering (that is 9,320,000 Hong Kong Offer Shares) are liable to be rejected.

(3) Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. 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.

If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 55,919,000 (in the case of (i)), 74,559,000 (in the case of (ii)), and 93,198,000 Shares (in the case of (iii)), respectively, representing approximately 30%, 40%, and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). 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 Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate.

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.

In addition to any Mandatory Allocation required, the Joint Global Coordinators may, at their sole discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, 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 in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 18,640,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 37,280,000 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$11.10 per Offer Share).

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.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, expected to be published on Monday, February 25, 2019.

(4) Application

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, upon application, the maximum Offer Price of HK$12.80 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer

Price, as finally determined in the manner described in the section headed "– Pricing of the Global Offering" below, is less than the maximum Offer Price of HK$12.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(B) The International Offering

(1) Number of Offer Shares initially offered

The number of International Offer Shares to be initially offered for subscription under the International Offering will be 167,756,000 Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 17.0% of our total issued share capital immediately after completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes.

(2) Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "– Pricing of the Global Offering" below and determined by the Joint Global Coordinators and us. It will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

(3) Reallocation and Clawback

The total number of International Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "– The Hong Kong Public Offering – Reallocation and Clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

(C) Over-allotment Option

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised.

Pursuant to the Over-allotment Option, we may be required to allot and issue up to 27,959,000 Shares, representing approximately 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 2.76% of the issued share capital of the Company immediately after the completion of the Global Offering and the Capitalization Issue (assuming no additional Shares are issued under the Share Incentivization Schemes).

(D) Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new 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, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as Stabilization Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other 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 last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing activity. If such stabilizing activity is commenced,

it will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, being 27,959,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(i) the Stabilization Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Stabilization Manager, or any person acting for it, will maintain such a position;

(iii) liquidation of any such long position by the Stabilization Manager may have an adverse impact on the market price of the Shares;

(iv) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on March 21, 2019, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

We will ensure or procure that 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.

In connection with the Global Offering, the Stabilization Manager may over-allocate up to and not more than an aggregate of 27,959,000 Shares and cover such over-allocations by (among other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilization Manger (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

(E) Pricing Of The Global Offering

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around February 19, 2019 and in no event later than February 25, 2019.

The Offer Price will not be more than HK$12.80 per Offer Share and is expected to be not less than HK$11.10 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$12.80 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK$6,464.49 for one board lot of 500 Shares. **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 price range stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

Based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters and with our consent) may reduce the number of Offer Shares and/or indicative Offer Price range below that stated 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, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, publish notice of such reduction on the Stock Exchange's website at **www.hkexnews.hk**, and on our Company's website at **www.cstonepharma.com**. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. Upon issue of such notice, the number of Offer Shares in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

As soon as practicable after such reduction of the number of Offer Shares and/or the indicative Offer Price range, we 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 is open for acceptance, and give potential investors who had applied for the Offer Shares to withdraw their applications.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day that is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn.

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering are expected to be announced on February 25, 2019 through a variety of channels described in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus.

(F) Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilization Manager, its affiliates, or any person acting for it may choose to borrow up to 27,959,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from WuXi Healthcare Ventures pursuant to a Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

(i) such stock borrowing arrangement with WuXi Healthcare Ventures will only be effected by the Stabilization Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;

(ii) the maximum number of Shares borrowed from WuXi Healthcare Ventures under the Stock Borrowing Agreement will be limited to the maximum number of Shares issued upon exercise of the Over-allotment Option;

(iii) the same number of Shares as that borrowed must be returned to WuXi Healthcare Ventures or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;

(iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and

(v) no payment will be made to WuXi Healthcare Ventures by the Stabilization Manager or its authorized agents in relation to such stock borrowing arrangement.

(G) Underwriting

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to, among other things, agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date, shortly after the final Offer Price is determined.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

(H) Conditions of the Global Offering

Acceptance of all applications for the Offer Shares will be conditional on:

(i) the Listing Committee granting the approval for listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(ii) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by February 25, 2019 between us and the Joint Bookrunners (on behalf of the Underwriters), 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 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 Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the websites of the Company and the Hong Kong Stock Exchange at **www.cstonepharma.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the Company's receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on February 26, 2019, provided that the Global Offering has become unconditional in all respects at or before that time.

(I) Dealing Arrangements

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on February 26, 2019, it is expected that dealings in Shares on Hong Kong Stock Exchange will commence at 9:00 a.m. on February 26, 2019.

The Shares will be traded in board lots of 500 Shares each and the stock code will be 2616.

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.cstonepharma.com** and the Stock Exchange at **www.hkexnews.hk** under the *"HKExnews > Listed Company Information > Latest Listed Company Information"* section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, February 14, 2019 until 12:00 noon on Tuesday, February 19, 2019 at the following locations:

1. any of the following branches of the receiving bank of the Company:

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	188 Des Voeux Road Branch	Shop No. 7 on G/F Whole of 1/F – 3/F Golden Centre 188 Des Voeux Road Central Hong Kong
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion 38-40A Yee Wo Street Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F 617-623 Nathan Road Mongkok
	68 Nathan Road Branch	Basement, Shop B1 G/F and M/F Golden Crown Court 66-70 Nathan Road Tsimshatsui
New Territories	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F Man Cheong Building 239-247&247A Castle Peak Road Yuen Long

2. any of the following offices of the Hong Kong Underwriters:

Hong Kong Underwriters	Address
Goldman Sachs (Asia) L.L.C.	59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
UBS AG Hong Kong Branch	52/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every location where WHITE and YELLOW Application Forms are distributed.

During normal business hours from 9:00 a.m. on Thursday, February 14, 2019 until 12:00 noon on Tuesday, February 19, 2019 at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **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 designated **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 (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares 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 authorised officer, who must state his 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 requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a Substantial Shareholder of the Company and/or any of its subsidiaries;
- you are a Director or CEO of the Company and/or any of its subsidiaries;
- you are an associate (as defined in the Listing Rules) of any of the above;
- you are 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; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at **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 Thursday, February 14, 2019 until 12:00 noon on Tuesday, February 19, 2019 from:

(i) the following offices of the Hong Kong Underwriters:

Hong Kong Underwriters	Address
Goldman Sachs (Asia) L.L.C.	59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Hong Kong Underwriters	Address
UBS AG Hong Kong Branch	52/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central Hong Kong

(ii) any of the branches of the receiving bank of the Company:

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	188 Des Voeux Road Branch	Shop No. 7 on G/F Whole of 1/F – 3/F Golden Centre 188 Des Voeux Road Central Hong Kong
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion 38-40A Yee Wo Street Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F 617-623 Nathan Road Mongkok
	68 Nathan Road Branch	Basement, Shop B1 G/F and M/F Golden Crown Court 66-70 Nathan Road Tsimshatsui
New Territories	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F Man Cheong Building 239-247&247A Castle Peak Road Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, February 14, 2019 until 12:00 noon on Tuesday, February 19, 2019 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 cheque or a banker's cashier order attached and marked payable to account name for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, February 14, 2019 – 9:00 a.m. to 5:00 p.m.
Friday, February 15, 2019 – 9:00 a.m. to 5:00 p.m.
Saturday, February 16, 2019 – 9:00 a.m. to 1:00 p.m.
Monday, February 18, 2019 – 9:00 a.m. to 5:00 p.m.
Tuesday, February 19, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. on Tuesday, February 19, 2019 to 12:00 noon on Tuesday, February 19, 2019, the last application day or such later time as described in "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 authorise 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Law 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 nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, 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 and the Underwriters nor any of their respective officers or advisers will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions 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) authorise (i) 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 such other registers as required under the

Articles and (ii) the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "– Personal Collection" below to collect the share certificate(s) and/or refund cheque(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 designated **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 THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "– Who can apply" in this section, may apply through the **White Form eIPO** service for the Hong Kong 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

authorise the designated **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

You may submit your application to the designated **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 Thursday, February 14, 2019 until 11:30 a.m. on Tuesday, February 19, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, February 19, 2019 or such later time under the "Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO**, 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 the **White Form eIPO** 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. Only one application may be made for the benefit of any person. 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 (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of the **White Form eIPO** 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 "CStone Pharmaceuticals" **White Form eIPO** application submitted via the website at **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

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 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 Centre,
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 the above 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 authorised 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, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- 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 authorised 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 for making a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allotted to you and such other registers as required under the Articles, and despatch share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and 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 and will not rely on any other information or representations, except those set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, 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 this prospectus);

- agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person 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), 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 (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this 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 results of the Hong Kong Public Offering;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for 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 the Company and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Law and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of 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 authorised 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 authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised 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 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, February 14, 2019 – 9:00 a.m. to 8:30 p.m.
Friday, February 15, 2019 – 8:00 a.m. to 8:30 p.m.
Monday, February 18, 2019 – 8:00 a.m. to 8:30 p.m.
Tuesday, February 19, 2019 – 8:00 a.m. to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

   CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, February 14, 2019 until 12:00 noon on Tuesday, February 19, 2019 (24 hours daily, except on the last application day).

   The latest time for inputting **electronic application instructions** will be 12:00 noon on Tuesday, February 19, 2019, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, 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 application for 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 designated **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 to make 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 connecting to the CCASS Phone System or the 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 Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, February 19, 2019, the last application day, or such time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **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 made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the 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 numbers of Hong Kong Offer Shares that may be applied for.

The maximum Offer Price is HK$12.80 per Hong Kong Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%. This means that one board lot of 500 Hong Kong Offer Shares, you will pay HK$6,464.49.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer Shares under the terms and conditions 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 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, February 19, 2019. 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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, February 19, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made.

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 allotment of the Hong Kong Offer Shares on Monday, February 25, 2019 on the Company's website at **www.cstonepharma.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the Company's website at **www.cstonepharma.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, February 25, 2019;

- 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 Monday, February 25, 2019 to 12:00 midnight on Sunday, March 3, 2019;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, February 25, 2019 to Thursday, February 28, 2019;

- in the special allocation results booklets which will be available for inspection during opening hours from Monday, February 25, 2019 to Wednesday, February 27, 2019 at all individual receiving bank branches and sub-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 set out in the section headed "Structure of the Global Offering" in this prospectus.

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 through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the designated **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 of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the 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 cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe(s) 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$12.80 per Offer Share (excluding brokerage, SFC transaction levy and the 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 Hong Kong Public 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 Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, February 25, 2019.

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 cheque(s) crossed "Account Payee Only" in favour 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 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 cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, February 25, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, February 26, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of share certificates or the share certificates becoming valid do so entirely at their own risk.

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 cheque(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 Monday, February 25, 2019 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 authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not personally collect your refund cheque(s) and/or share certificate(s) within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address specified on the relevant Application Form on or before Monday, February 25, 2019, 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. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, February 25, 2019, 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 Monday, February 25, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong 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 "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 Monday, February 25, 2019 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 Monday, February 25, 2019, 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 cheques.

If you do not personally collect your share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

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 Monday, February 25, 2019, by ordinary post and 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 cheque(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 Monday, February 25, 2019, 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 Monday, February 25, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, February 25, 2019 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 Monday, February 25, 2019. 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 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 Monday, February 25, 2019.

15. ADMISSION OF THE SHARES 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 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 to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-66, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CSTONE PHARMACEUTICALS AND GOLDMAN SACHS (ASIA) L.L.C. AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of CStone Pharmaceuticals (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-66, which comprises the consolidated statements of financial position of the Group as at December 31, 2016 and 2017 and September 30, 2018, the statements of financial position of the Company as at December 31, 2016 and 2017 and September 30, 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 2017 and the nine months ended September 30, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated February 14, 2019 (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 (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 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 (the "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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 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 of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, true and fair view of the Group's financial position as at December 31, 2016 and 2017 and September 30, 2018, the Company's financial position as at December 31, 2016 and 2017 and September 30, 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the nine months ended September 30, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividend has been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 14, 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of 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 Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The currency of the primary economic environment in which the group entities operate is Renminbi ("RMB"). The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31, 2016	Year ended December 31, 2017	Nine months ended September 30, 2017	Nine months ended September 30, 2018
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Other income	7	187	13,954	2,533	12,824
Other gains and losses	7	9,185	(103,665)	(82,694)	(351,751)
Research and development expenses		(247,121)	(213,441)	(165,832)	(699,293)
Administrative expenses		(15,050)	(39,335)	(27,468)	(118,557)
Finance costs	8	(240)	(60)	(60)	–
Listing expenses		–	–	–	(5,623)
Loss for the year/period	9	(253,039)	(342,547)	(273,521)	(1,162,400)
Other comprehensive (expense) income:					
Items that may be reclassified subsequently to profit or loss:					
Fair value (loss) gain on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")		(33)	(1,424)	(1,588)	2,528
Reclassified to profit or loss upon disposal of debt instruments at FVTOCI		–	(20)	(20)	(723)
Other comprehensive (expense) income for the year/period		(33)	(1,444)	(1,608)	1,805
Total comprehensive expense for the year/period		(253,072)	(343,991)	(275,129)	(1,160,595)
Loss for the year/period attributable to:					
Owners of the Company					
– ordinary shareholders		(117,108)	(107,445)	(85,805)	(314,058)
– preferred shareholders		(128,983)	(201,459)	(160,885)	(800,490)
		(246,091)	(308,904)	(246,690)	(1,114,548)
Non-controlling interests		(6,948)	(33,643)	(26,831)	(47,852)
		(253,039)	(342,547)	(273,521)	(1,162,400)
Total comprehensive expense for the year/period attributable to:					
Owners of the Company					
– ordinary shareholders		(117,123)	(107,947)	(86,364)	(313,549)
– preferred shareholders		(129,001)	(202,401)	(161,934)	(799,194)
		(246,124)	(310,348)	(248,298)	(1,112,743)
Non-controlling interests		(6,948)	(33,643)	(26,831)	(47,852)
		(253,072)	(343,991)	(275,129)	(1,160,595)
Loss per share	13				
Basic and diluted (RMB Yuan)		(0.89)	(0.67)	(0.54)	(1.91)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2016	At December 31, 2017	At September 30, 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*14*	1,034	15,457	14,313
Deposits for acquisition of property, plant and equipment		–	160	–
Other intangible assets	*15*	9	222	799
Other receivables	*17*	280	3,181	7,191
		1,323	19,020	22,303
Current assets				
Deposits, prepayments and other receivables	*17*	12,889	7,567	28,574
Other investments classified as financial assets measured at fair value through profit or loss ("FVTPL")	*18*	294,695	56,593	19,766
Debt instruments at FVTOCI	*18*	457,693	397,710	203,314
Time deposits	*19*	–	–	756,712
Cash and cash equivalents	*19*	59,539	83,390	734,345
		824,816	545,260	1,742,711
Current liabilities				
Trade and other payables and accrued expenses	*20*	50,622	24,733	64,073
Deferred income	*21*	2,000	2,000	–
Derivative financial liabilities	*23*	6,562	86,495	616,743
		59,184	113,228	680,816
Net current assets		765,632	432,032	1,061,895
Total assets less current liabilities		766,955	451,052	1,084,198
Non-current liability				
Deferred income	*21*	–	–	1,937
Net assets		766,955	451,052	1,082,261
Capital and reserves				
Ordinary share capital	*24*	26	26	28
Preferred share capital	*23*	49	49	94
Reserves		712,613	426,263	1,082,139
Equity attributable to owners of the Company		712,688	426,338	1,082,261
Non-controlling interests		54,267	24,714	–
Total equity		766,955	451,052	1,082,261

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31, 2016	At December 31, 2017	At September 30, 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investments in subsidiaries	*16*	89,098	117,185	812,355
Amount due from a subsidiary	*22*	–	–	19,195
		89,098	117,185	831,550
Current assets				
Other receivables	*17*	520	490	2,946
Debt instruments at FVTOCI	*18*	457,693	397,710	203,314
Time deposits	*19*	–	–	756,712
Cash and cash equivalents	*19*	16,603	44,960	685,483
		474,816	443,160	1,648,455
Current liabilities				
Other payables and accrued expenses	*20*	574	1,239	25,433
Amount due to a subsidiary	*22*	–	670	706
Derivative financial liabilities	*23*	48,063	98,567	616,743
		48,637	100,476	642,882
Net current assets		426,179	342,684	1,005,573
Net assets		515,277	459,869	1,837,123
Capital and reserves				
Ordinary share capital	*24*	26	26	28
Preferred share capital	*23*	49	49	94
Reserves	*32*	515,202	459,794	1,837,001
Total equity		515,277	459,869	1,837,123

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Ordinary share capital	Preferred share capital	Share premium	Investments revaluation reserve	Other reserve	Share-based payment reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000 (note 23)*	*RMB'000*	*RMB'000*	*RMB'000 (note a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016	–	–	–	–	–	–	–	–	–	–
Loss for the year	–	–	–	–	–	–	(246,091)	(246,091)	(6,948)	(253,039)
Other comprehensive expense for the year	–	–	–	(33)	–	–	–	(33)	–	(33)
Total comprehensive expense for the year	–	–	–	(33)	–	–	(246,091)	(246,124)	(6,948)	(253,072)
Issuance of ordinary shares *(note 24)*	26	–	2,585	–	–	–	–	2,611	–	2,611
Issuance of convertible preferred shares ("Preferred Shares") *(note 23)*	–	49	704,125	–	–	–	–	704,174	–	704,174
Recognition of equity-settled share-based payment	–	–	–	–	(1,364)	9,368	–	8,004	1,364	9,368
Capital injection into a subsidiary by a non-controlling shareholder *(note 23)*	–	–	–	–	244,023	–	–	244,023	59,851	303,874
At December 31, 2016	26	49	706,710	(33)	242,659	9,368	(246,091)	712,688	54,267	766,955
Loss for the year	–	–	–	–	–	–	(308,904)	(308,904)	(33,643)	(342,547)
Other comprehensive expense for the year	–	–	–	(1,444)	–	–	–	(1,444)	–	(1,444)
Total comprehensive expense for the year	–	–	–	(1,444)	–	–	(308,904)	(310,348)	(33,643)	(343,991)
Recognition of equity-settled share-based payment	–	–	–	–	(4,090)	28,088	–	23,998	4,090	28,088
At December 31, 2017	26	49	706,710	(1,477)	238,569	37,456	(554,995)	426,338	24,714	451,052
Loss for the period	–	–	–	–	–	–	(1,114,548)	(1,114,548)	(47,852)	(1,162,400)
Other comprehensive income for the period	–	–	–	1,805	–	–	–	1,805	–	1,805
Total comprehensive income (expense) for the period	–	–	–	1,805	–	–	(1,114,548)	(1,112,743)	(47,852)	(1,160,595)
Issuance of Preferred Shares *(note 23)*	–	40	1,617,178	–	–	–	–	1,617,218	–	1,617,218
Recognition of equity-settled share-based payment	–	–	21,921	–	(18,745)	151,119	–	154,295	18,745	173,040

	Attributable to owners of the Company									
	Ordinary share capital	Preferred share capital	Share premium	Investments revaluation reserve	Other reserve	Share-based payment reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000 (note 23)*	*RMB'000*	*RMB'000*	*RMB'000 (note a)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Effect of put option granted to a non-controlling shareholder to convert the equity interests in a subsidiary to the Company's Preferred Shares	–	5	308,107	–	(266,181)	–	–	41,931	(41,931)	–
Exercise of share options *(note 24e)*	2	–	11,975	–	–	(10,431)	–	1,546	–	1,546
Deemed acquisition of additional equity interest in a subsidiary	–	–	–	–	(46,324)	–	–	(46,324)	46,324	–
At September 30, 2018	28	94	2,665,891	328	(92,681)	178,144	(1,669,543)	1,082,261	–	1,082,261
For the nine months ended September 30, 2017 (unaudited)										
At January 1, 2017	26	49	706,710	(33)	242,659	9,368	(246,091)	712,688	54,267	766,955
Loss for the period	–	–	–	–	–	–	(246,690)	(246,690)	(26,831)	(273,521)
Other comprehensive expense for the period	–	–	–	(1,608)	–	–	–	(1,608)	–	(1,608)
Total comprehensive expense for the period	–	–	–	(1,608)	–	–	(246,690)	(248,298)	(26,831)	(275,129)
Recognition of equity-settled share-based payment	–	–	–	–	(3,032)	20,822	–	17,790	3,032	20,822
At September 30, 2017 (unaudited)	26	49	706,710	(1,641)	239,627	30,190	(492,781)	482,180	30,468	512,648

Note:

(a) Other reserve included (1) share-based payment recognised as deemed losses to non-controlling interests; (2) differences between the carrying amounts of net assets attributable to the non-controlling interests at date of subscription of capital to a subsidiary, fair value of the respective conversion features of preferred shares at date of injection and the relevant proceeds received; (3) adjustment to non-controlling interests in 基石藥業(蘇州)有限公司 ("CStone Suzhou") as a result of additional capital injection by the Group; and (4) effect of exercise of put option by a non-controlling shareholder to convert the equity interests in a subsidiary to the Company's Preferred Shares.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
OPERATING ACTIVITIES				
Loss for the year/period	(253,039)	(342,547)	(273,521)	(1,162,400)
Adjustments for:				
Depreciation of property, plant and equipment	67	811	407	3,742
Amortisation of intangible assets	2	10	7	111
Net foreign exchange (gains) losses	(14,685)	29,475	22,057	(132,925)
Gain on fair value changes of other investments classified as financial assets measured at FVTPL	(701)	(6,010)	(5,926)	(973)
Gain on disposal of debt instruments at FVTOCI	–	(20)	(20)	(723)
Loss on fair value changes of derivative financial liabilities	6,201	79,933	66,583	486,372
Share-based payment expense	9,368	28,088	20,822	173,040
Loss on disposal of property, plant and equipment	–	287	–	–
Interest income	(99)	(3,508)	(2,406)	(2,491)
Changes in fair value of money market fund	(88)	(146)	(127)	(7,601)
Finance costs	240	60	60	–
Government grants income	–	–	–	(63)
Operating cash flows before movements in working capital	(252,734)	(213,567)	(172,064)	(643,911)
(Increase) decrease in deposits, prepayments and other receivables	(12,652)	2,421	(15,048)	(22,818)
Increase (decrease) in trade and other payables and accrued expenses	50,380	(29,040)	(3,141)	39,928
Increase (decrease) in deferred income	2,000	–	–	(2,000)
NET CASH USED IN OPERATING ACTIVITIES	(213,006)	(240,186)	(190,253)	(628,801)

	Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
INVESTING ACTIVITIES				
Placement of time deposits with maturity dates over three months	–	–	–	(756,712)
Interest received	44	6,054	3,780	4,027
Receipt of return from money market fund	88	146	127	9,642
Deposit paid for property, plant and equipment	–	(160)	–	–
Purchase of property, plant and equipment	(1,101)	(12,130)	(3,305)	(4,432)
Purchase of intangible assets	(11)	(223)	–	(688)
Purchase of other investments classified as financial assets measured at FVTPL	(300,000)	(1,012,000)	(993,000)	–
Purchase of debt instruments at FVTOCI	(467,879)	(2,731,048)	(2,600,986)	(271,390)
Proceeds on disposal of other investments classified as financial assets measured at FVTPL	6,006	1,256,112	1,179,222	37,800
Proceeds on disposal of debt instruments at FVTOCI	9,384	2,761,549	2,597,054	475,007
Receipt of government grants related to property plant and equipment	–	–	–	2,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(753,469)	268,300	182,892	(504,746)
FINANCING ACTIVITIES				
Interest paid	–	(300)	(300)	–
Proceeds on issue of ordinary shares	2,611	–	–	–
Proceeds on issue of Preferred Shares to new investors	703,863	–	–	1,661,094
Proceeds on issue of Preferred Shares to non-controlling interest	–	–	–	307,219
Acquisition of non-controlling interests	–	–	–	(307,219)
Exercise of share options *(note 24e)*	–	–	–	749
Capital injection to a subsidiary	304,029	–	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,010,503	(300)	(300)	1,661,843
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,028	27,814	(7,661)	528,296
Effects of foreign exchange rate changes	15,511	(3,963)	(1,542)	122,659
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	–	59,539	59,539	83,390
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	59,539	83,390	50,336	734,345

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 2, 2015. The respective address of the registered office and principal place of business of the Company are stated at the "Corporate Information" section of the Prospectus.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in research and development of highly complex biopharmaceutical products.

The functional currency of the Company is RMB, which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRSs issued by the IASB.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the IFRSs, which are effective for the Group's accounting period beginning on January 1, 2018 throughout the Track Record Period.

The Group has also elected to early apply Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, i.e. 1 January 2019, throughout the Track Record Period.

At the date of this report, the following new and amendments to IFRSs and interpretation have been issued but not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after January 1, 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after January 1, 2021

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

[5] Effective for annual periods beginning on or after January 1, 2020

Except as described below, the directors of the Company anticipate that the application of all the other new and amendments to IFRSs and interpretations will have no material impact on the Group's financial performance and positions and/or on the disclosures to the Group's Historical Financial Information.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The Group currently present operating lease payments as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at September 30, 2018, the Group has non-cancellable operating lease commitments of approximately RMB7,317,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately RMB1,821,000 as at September 30, 2018 as disclosed in note 17 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as advance lease payments.

The management of the Group expected that, such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not result in significant impacts to the consolidated financial performance of the Group's future financial statements.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts ending within 12 months of the date of initial application. Therefore, the Group will accounts for such leases in the same way as short-term leases and includes the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment,* leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity owner of the Company.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position at cost less any identified impairment losses.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options and restricted share units granted to employees

Equity-settled share-based payment to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payment determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For share options and restricted shares units that vest immediately at the date of grant, the fair value of the share options and restricted shares units granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from "loss before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash at banks 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, and within three months of maturity from the date of acquisition.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under IFRS 9 (including other receivables, other financial assets measured at amortised cost and bank balance). The amount of ECL is updated at each reporting dates to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the other debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the financial assets, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's other receivables, subscription receivable for share options due from Dr. Jiang, subscription receivable from a preferred shareholder are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Preferred Shares

The component parts of compound instruments (Preferred Shares) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred Shares issued by the Company are classified as equity as the instrument does not include contractual obligation to deliver cash or other financial assets to holders and it is a non-derivative instrument that does not include contractual obligation for the issuer to deliver a variable number of its own equity instruments. Transaction costs relating to the equity component are recognised directly in equity.

Conversion feature of compound instrument (Preferred Shares) is classified separately as derivative financial liabilities as the option will be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Option granted to a non-controlling shareholder to acquire the Company's Preferred Shares ("Share Purchase Option") as set out in note 23 is accounted for as derivatives and is recognised at fair value upon initial recognition. Any changes of its fair values in subsequent reporting dates is recognised in the profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised 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.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Research and development expenses

Development costs incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalisation. During the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, all development costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is reference to useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. As at December 31, 2016 and 2017 and September 30, 2018, the carrying amounts of property, plant and equipment are approximately RMB1,034,000, RMB15,457,000 and RMB14,313,000, respectively as disclosed in note 14.

Fair value of derivative financial liabilities

The Company has issued Preferred Shares with conversion features and Share Purchase Option to investors during the Track Record Period as set out in note 23. The Group bifurcated the conversion feature from Preferred Shares and classified it as financial liabilities at FVTPL in which no quoted prices in an active market exist. The fair value is established by using valuation techniques which include back-solve method and application of option pricing model. Valuation techniques are certified by an independent and recognised international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios such as initial public offering and liquidation, time to liquidation and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value to be recognised in profit or loss. The fair value of the conversion feature and Share Purchase Option are set out in note 23.

6. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the research and development of highly complex biopharmaceutical products. The Group's chief operating decision maker ("CODM") has been identified as the chief executive of the Group.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in note 4.

Geographical information

All of the Group's non-current assets and capital expenditure are located or utilised in the PRC.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	Year ended December 31,		Nine months ended September 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Bank and other interest income	99	3,508	2,406	2,491
Changes in fair value of money market fund	88	146	127	7,601
Government grants income *(note)*	–	10,300	–	2,732
	187	13,954	2,533	12,824

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery and is recognised over the useful life of the related assets; and (ii) the incentive and other subsidies for research and development activities which are recognised upon compliance with the attached conditions.

Other gains and losses

	Year ended December 31,		Nine months ended September 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Gain on fair value changes of other investments classified as financial assets measured at FVTPL *(note 18)*	701	6,010	5,926	973
Gain on disposal of debt instruments at FVTOCI	–	20	20	723
Loss on fair value changes of derivative financial liabilities *(note 23)*	(6,201)	(79,933)	(66,583)	(486,372)
Loss on disposal of property, plant and equipment	–	(287)	–	–
Net foreign exchange gains (losses)	14,685	(29,475)	(22,057)	132,925
	9,185	(103,665)	(82,694)	(351,751)

8. FINANCE COSTS

	Year ended December 31,		Nine months ended September 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interests arising from deferred payment option under research and development contracts	(240)	(60)	(60)	–

In January 2016, the Group entered into three research and development outsourcing contracts with a then related party, WuXi AppTec HK (as defined in note 28), for the development of three highly complex biopharmaceutical products. The related research and development expenses was payable on quarterly basis with instalments from January 1, 2016 through March 31, 2017. The contract also allowed the Group to defer the whole payment to March 31, 2017 for an interest of 5% per annum which the Group had elected such deferred payment arrangement. WuXi AppTec HK ceased to be a related party of the Group since April 1, 2016.

9. LOSS FOR THE YEAR/PERIOD

	Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss for the year/period has been arrived at after charging:				
Directors' emoluments *(note 10)*	8,330	15,401	12,029	116,580
Other staff costs:				
Salaries and other allowances	2,426	21,054	13,543	33,084
Performance related bonus	480	4,708	3,235	7,754
Retirement benefit scheme contributions	251	2,380	1,502	4,585
Share-based payment expense	2,593	16,694	11,813	62,060
Total staff costs	14,080	60,237	42,122	224,063
Amortisation of intangible assets	2	10	7	111
Auditors' remuneration	318	262	198	497
Depreciation of property, plant and equipment	67	811	407	3,742
Minimum lease payments under operating leases in respect of office premises	376	1,934	1,168	2,588

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable to the directors of the Company and the chief executive of the Company by the group entities during the Track Record Period are as follows:

Year ended December 31, 2016

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Jiang Frank Ningjun ("Dr. Jiang") *(note a)*	–	1,002	532	21	6,775	8,330
Non-executive directors:						
Cao Yanling *(note b)*	–	–	–	–	–	–
Zhao Qun *(note c)*	–	–	–	–	–	–
Zhu Zhongyuan *(note d)*	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–
	–	1,002	532	21	6,775	8,330

Year ended December 31, 2017

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Dr. Jiang	–	2,701	1,263	43	11,394	15,401
Non-executive directors:						
Cao Yanling *(note b)*	–	–	–	–	–	–
Zhao Qun	–	–	–	–	–	–
Zhu Zhongyuan	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–
Zha Ji *(note e)*	–	–	–	–	–	–
	–	2,701	1,263	43	11,394	15,401

Nine months ended September 30, 2017 (unaudited)

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Dr. Jiang	–	2,040	947	33	9,009	12,029
Non-executive directors:						
Cao Yanling *(note b)*	–	–	–	–	–	–
Zhao Qun	–	–	–	–	–	–
Zhu Zhongyuan	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–
Zha Ji *(note e)*	–	–	–	–	–	–
	–	2,040	947	33	9,009	12,029

Nine months ended September 30, 2018

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Dr. Jiang	–	2,282	3,285	33	110,980	116,580
Non-executive directors:						
Zhao Qun	–	–	–	–	–	–
Zhu Zhongyuan *(note d)*	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–
Zha Ji *(note e)*	–	–	–	–	–	–
Tong Xiaomeng *(note f)*	–	–	–	–	–	–
Zhang Guobin *(note g)*	–	–	–	–	–	–
Chen Lianyong *(note h)*	–	–	–	–	–	–
	–	2,282	3,285	33	110,980	116,580

Notes:

a. Dr. Jiang was appointed as an executive director of the Company on November 3, 2016.

b. Cao Yanling was appointed as a non-executive director of the Company on April 1, 2016 and resigned on March 27, 2017.

c. Zhao Qun was appointed as a non-executive director of the Company on April 1, 2016.

d. Zhu Zhongyuan was appointed as a non-executive director of the Company on April 1, 2016 and resigned on August 14, 2018.

e. Zha Ji was appointed as a non-executive director of the Company on March 27, 2017 and resigned on February 28, 2018.

f. Tong Xiaomeng was appointed as a non-executive director of the Company on February 28, 2018.

g. Zhang Guobin was appointed as a non-executive director of the Company on May 8, 2018.

h. Chen Lianyong was appointed as a non-executive director of the Company on August 14, 2018.

The executive director's emoluments shown above were for his services as a director of the Company and the chief executive in connection with the management of the affairs of the Company and the Group as he is also the chief executive of the Company.

Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

There were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

During the Track Record Period, a director of the Company was granted share options, restricted shares award and restricted shares units, in respect of his services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 25.

Employees

The five highest paid individuals of the Group included one director of the Company for the years ended December 31, 2016 and 2017, and the nine months ended September 30, 2017 (unaudited) and 2018 with details of his emoluments set out above. The emoluments of the remaining four individuals for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 (unaudited) and 2018 are as follows:

	Year ended December 31,		Nine months ended September 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other allowances	1,124	5,382	3,947	4,678
Performance related bonus	754	2,323	1,670	1,539
Share-based payment expense	2,248	12,930	9,208	40,558
Retirement benefit scheme	–	83	57	100
	4,126	20,718	14,882	46,875

The emoluments of these employees (including one director of the Company) for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 (unaudited) and September 30, 2018 were fell within the following bands:

	Number of individuals		Number of individuals	
	Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018
			(unaudited)	
Nil to HK$1,000,000	2	–	–	–
HK$1,000,001 to HK$1,500,000	1	–	–	–
HK$1,500,001 to HK$2,000,000	–	–	1	–
HK$2,000,001 to HK$2,500,000	1	–	–	–
HK$2,500,001 to HK$3,000,000	–	1	1	–
HK$5,000,001 to HK$5,500,000	–	1	–	–
HK$6,000,001 to HK$6,500,000	–	–	1	–
HK$6,500,001 to HK$7,000,000	–	–	1	–
HK$8,000,001 to HK$8,500,000	–	2	–	–
HK$9,000,001 to HK$9,500,000	1	–	–	–
HK$10,500,001 to HK$11,000,000	–	–	–	1
HK$12,500,001 to HK$13,000,000	–	–	–	1
HK$13,500,001 to HK$14,000,000	–	–	–	1
HK$14,000,001 to HK$14,500,000	–	–	1	–
HK$15,500,001 to HK$16,000,000	–	–	–	1
HK$18,000,001 to HK$18,500,000	–	1	–	–
HK$132,000,001 to HK$132,500,000	–	–	–	1
	5	5	5	5

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including one director of the Company and four employees for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 (unaudited) and 2018) as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived or agreed to waive any emoluments during the Track Record Period.

11. DIVIDENDS

No dividend was paid nor declared by the Company during the Track Record Period.

12. INCOME TAX EXPENSE

The Company is tax exempt under the laws of the Cayman Islands.

Under the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the Ordinance) of Hong Kong, CStone Pharmaceuticals Limited ("CStone HK") is subject to two-tiered tax rate for period beginning from January 1, 2018 on assessable profits earned in Hong Kong, where the profits tax rate for the first HK$2,000,000 of assessable profits is subject to profits tax rate of 8.25% and the assessable profits above HK$2,000,000 is subject to profits tax rate of 16.5% (years ended December 31, 2016 and 2017 and nine months ended September 30, 2017: profits tax rate of 16.5%).

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25%.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify a small business entity are eligible for the lower corporate tax rate at 27.5%. CStone Pharmaceuticals Australia Pty, Ltd. ("CStone Australia") was qualified as small business entity and is subject to a corporate tax rate of 27.5%.

The tax charge for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss before tax	(253,039)	(342,547)	(273,521)	(1,162,400)
Tax charge at the PRC EIT rate of 25%	(63,260)	(85,637)	(68,380)	(290,600)
Tax effect of expenses not deductible for tax purpose	46,025	33,701	28,157	226,592
Effect of research and development expenses that are additionally deducted *(note)*	(498)	(21,901)	–	–
Tax effect of tax losses not recognised	5,700	82,276	47,171	60,332
Tax effect of deductible temporary differences not recognised	12,033	3,594	5,085	7,270
Utilisation of deductible temporary differences previously not recognised	–	(12,033)	(12,033)	(3,594)
Tax charge for the year/period	–	–	–	–

Note: Pursuant to Caishui [2015] circular No. 119, CStone Suzhou enjoys super deduction of 150% on qualifying research and development expenditures throughout the Track Record Period.

As at December 31, 2016 and 2017 and September 30, 2018, the Group has unused tax losses of approximately RMB22.8 million, RMB351.9 million and RMB593.2 million, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The unused tax losses will be expired as follows:

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
2021	22,801	22,801	22,801
2022	–	329,104	329,104
2023	–	–	228,756
Indefinite *(note)*	–	–	12,570
	22,801	351,905	593,231

Note: Subject to confirmation by the Australian Taxation Office, this provision of tax losses can be carried forward indefinitely.

At December 31, 2016 and 2017 and September 30, 2018, the Group has deductible temporary differences related to government grants income and accrued expenses of RMB48.1 million, RMB14.4 million and RMB29.1 million, respectively. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the Track Record Period is as follows:

	For the year ended December 31,		Nine months ended September 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss				
Loss for the year/period attributable to owners of the Company	(246,091)	(308,904)	(246,690)	(1,114,548)
Add: Loss attributable to Preferred Shares	128,983	201,459	160,885	800,490
Loss for the purpose of basic and diluted loss per share	(117,108)	(107,445)	(85,805)	(314,058)

	For the year ended December 31,		Nine months ended September 30,	
	2016	**2017**	**2017**	**2018**
			(unaudited)	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	132,021,860	160,000,000	160,000,000	164,053,828

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the Track Record Period has been determined on the assumption that capitalization issue as described in the section "Share Capital" of the prospectus had been effective since January 1, 2016.

During the nine months ended September 30, 2018, the calculation of basic and diluted loss per share has considered restricted share units ("RSUs") that have been vested but not yet registered.

The calculation of diluted loss per share has not considered shares options awarded under the share incentive plan (note 25), the unvested restricted shares and RSUs and the conversion of preferred shares as their inclusion would be anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At January 1, 2016	–	–	–	–
Additions	465	–	636	1,101
At December 31, 2016	465	–	636	1,101
Additions	9,152	4,570	1,799	15,521
Disposals	(465)	–	–	(465)
At December 31, 2017	9,152	4,570	2,435	16,157
Additions	656	1,154	788	2,598
At September 30, 2018	9,808	5,724	3,223	18,755
DEPRECIATION				
At January 1, 2016	–	–	–	–
Provided for the year	23	–	44	67
At December 31, 2016	23	–	44	67
Provided for the year	490	–	321	811
Eliminated on disposals	(178)	–	–	(178)
At December 31, 2017	335	–	365	700
Provided for the period	2,442	680	620	3,742
At September 30, 2018	2,777	680	985	4,442
CARRYING VALUES				
At December 31, 2016	442	–	592	1,034
At December 31, 2017	8,817	4,570	2,070	15,457
At September 30, 2018	7,031	5,044	2,238	14,313

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of the residual value at the rate per annum as follows:

Leasehold improvements	Over the shorter of the term of the lease, or 33.3%
Plant and machinery	18%
Furniture, fixtures and equipment	30%

15. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
COST	
At January 1, 2016	–
Additions	11
At December 31, 2016	11
Additions	223
At December 31, 2017	234
Additions	688
At September 30, 2018	922
AMORTISATION	
At January 1, 2016	–
Provided for the year	2
At December 31, 2016	2
Provided for the year	10
At December 31, 2017	12
Provided for the period	111
At September 30, 2018	123
CARRYING VALUES	
At December 31, 2016	9
At December 31, 2017	222
At September 30, 2018	799

Other intangible assets represent computer software acquired from third parties.

The above intangible assets have finite useful lives and are amortised on a straight-line basis as follows:

Computer software	20% – 33% per annum

16. PARTICULARS OF SUBSIDIARIES

The Company

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Investment cost	89,098	117,185	812,355

During the nine months ended September 30, 2018, the increase in investment cost was attributed by the deemed contribution of investments pursuant to the execution of Share Transfer Agreement (as defined in note 23).

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company as at December 31, 2016	December 31, 2017	September 30, 2018	The date of this report	Principal activities	Notes
Directly held:								
CStone HK	Hong Kong December 23, 2015	Issued capital of HK$1 and paid-up capital of HK$1	100%	100%	100%	100%	Investment holding	*(a)*
CStone Australia	Australia August 13, 2017	Registered capital of AUD19,000,000 (equivalent to RMB99,476,400) and paid-up capital of RMB nil (equivalent to RMB nil)	N/A	100%	100%	100%	Research and development	*(b)*
Indirectly held:								
CStone Suzhou	The PRC April 21, 2016	Registered capital of USD23,761,363 (equivalent to RMB153,882,413) and paid-up capital of USD23,761,363 (equivalent to RMB153,882,413)	85.4369%	85.4369%	100%	100%	Research and development and sales of drugs	*(c)*
拓石藥業(上海)有限公司 ("CStone Shanghai")	The PRC March 29, 2016	Registered capital of RMB4,080,000 and paid-up capital of RMB4,011,600	85.4369%	85.4369%	100%	100%	Research and development	*(d)*
創石(北京)醫藥科技有限公司	The PRC March 2, 2018	Registered capital of RMB1,200,000 and paid-up capital of RMB nil	N/A	N/A	100%	100%	Research and development	*(e)*

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date.

Notes:

(a) The statutory financial statements of CStone HK for the period from December 23, 2015 (date of incorporation) to December 31, 2016 and for the year ended December 31, 2017 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by BDO Limited, a firm of certified public accountants registered in Hong Kong.

(b) No statutory financial statements have been issued for CStone Australia since its date of incorporation as there is no statutory audit requirement.

(c) The statutory financial statements of CStone Suzhou for the period from April 21, 2016 (date of establishment) to December 31, 2016 and for the year ended December 31, 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 立信會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC.

(d) The statutory financial statements of CStone Shanghai for the period from March 29, 2016 (date of establishment) to December 31, 2016, and for the year ended December 31, 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 立信會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC.

(e) No statutory financial statements have been issued for 創石(北京)醫藥科技有限公司 since its date of establishment as it is not yet due for issue.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests as at			Loss allocated to non-controlling interests				Accumulated non-controlling interests as at		
		December 31,		September 30,	Year ended December 31,		Nine months ended September 30,		December 31,		September 30,
		2016	2017	2018	2016	2017	2017	2018	2016	2017	2018
					RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CStone Suzhou	PRC	14.5631%	14.5631%	0% *(note)*	(6,948)	(33,643)	(26,831)	(47,852)	54,267	24,714	–

Note: On June 20, 2018, the CStone HK made further capital contribution into CStone Suzhou amounting to USD3,863,636 (equivalent to RMB25,564,134). Upon the completion of this capital injection thereafter, the equity interest held by non-controlling interests in CStone Suzhou decreased from 14.5631% to 12.1951%. On August 22, 2018, upon the completion of a Share Transfer Agreement (as defined in note 23), the non-controlling interests of CStone Suzhou have became preferred shareholders of the Company (note 23).

Summarised financial information in respect of CStone Suzhou that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current assets	338,386	93,842	N/A
Non-current assets	90,462	105,283	N/A
Current liabilities	(56,211)	(29,415)	N/A
Equity attributable to owners of the Company	318,370	144,996	N/A
Non-controlling interests of CStone Suzhou	54,267	24,714	N/A

	Year ended December 31,		January 1, 2017 to September 30, 2017	January 1, 2018 to August 21, 2018
	2016	2017		
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Expenses	(47,707)	(231,015)	(184,237)	(358,560)
Loss and total comprehensive expense for the year/period	(47,707)	(231,015)	(184,237)	(358,560)
Loss and total comprehensive expense attributable to:				
The Group	(40,759)	(197,372)	(157,406)	(310,708)
Non-controlling interests of CStone Suzhou	(6,948)	(33,643)	(26,831)	(47,852)
Loss and total comprehensive expense for the year/period	(47,707)	(231,015)	(184,237)	(358,560)

	Year ended December 31,		January 1, 2017 to September 30, 2017	January 1, 2018 to August 21, 2018
	2016	2017		
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash outflow from operating activities	(1,139)	(233,479)	(184,767)	(240,847)
Net cash (outflow) inflow from investing activities	(295,137)	231,517	182,991	32,714
Net cash inflow from financing activities	326,563	–	–	222,119
Effect of exchange rate changes	1,034	(1,198)	(1,106)	1,354
Net cash inflow (outflow)	31,321	(3,160)	(2,882)	15,340

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Rental deposits	280	1,169	1,821
Prepayments	12,129	6,747	24,547
Other receivables	240	330	1,308
Subscription receivable from a preferred shareholder *(note a)*	520	490	516
Subscription receivable for exercising share options due from Dr. Jiang *(note b)*	–	–	797
Value-added tax recoverable	–	2,012	5,370
Deferred issue costs	–	–	1,406
	13,169	10,748	35,765

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Analysed as:			
Non-current	280	3,181	7,191
Current	12,889	7,567	28,574
	13,169	10,748	35,765

The Company

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	–	–	227
Subscription receivable from a preferred shareholder *(note a)*	520	490	516
Subscription receivable for exercising share options due from Dr. Jiang *(note b)*	–	–	797
Deferred issue cost	–	–	1,406
	520	490	2,946
Analysed as:			
Non-current	–	–	–
Current	520	490	2,946
	520	490	2,946

Notes:

(a) The balance represents subscription receivables due from a preferred shareholder of the Series A Preferred Shares. The directors of the Company expected the subscription receivables will be settled within 12 months from each of the reporting date throughout the Track Record Period and therefore, it is classified as current assets. The balance has been subsequently settled by the preferred shareholder in October 2018.

(b) As at September 30, 2018, the balance amounting to approximately RMB797,000 represents the subscription receivable due from Dr. Jiang, the director of the Company, to settle the share options already exercised but not yet paid upon the exercise of his share options. The receivable has been classified as current receivables as the directors of the Company expected the balance will be settled before the initial listing of shares of the Company on the Hong Kong Stock Exchange.

18. OTHER INVESTMENTS CLASSIFIED AS FINANCIAL ASSETS MEASURED AT FVTPL/DEBT INSTRUMENTS AT FVTOCI

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Other investments classified as financial assets measured at FVTPL			
– Wealth management plans *(note a)*	294,695	56,593	19,766
The Group and the Company			
Debt instruments at FVTOCI			
– Corporate bonds *(note b)*	426,184	233,448	113,709
– Treasury bills *(note c)*	31,509	164,262	89,605
	457,693	397,710	203,314

Notes:

(a) The Group entered into contracts in respect of wealth management plans managed by financial institutions. The principal is unguaranteed by the relevant financial institutions with expected return rates as stated in the contracts ranging from 1.87% to 3.60% per annum, 1.73% to 4.54% per annum and 3.20% to 4.54% per annum as at December 31, 2016 and 2017 and September 30, 2018, respectively. All investments had maturity dates within one year and were classified as other investments classified as financial assets mandatorily measured at FVTPL.

(b) The Company invested in listed corporate bonds which are traded publicly in the United States with effective interest rates ranging from 0% to 6.50% per annum, 1.30% to 6.00% per annum and 1.70% to 3.08% per annum as at December 31, 2016 and 2017 and September 30, 2018, respectively. The investment is classified as debt instruments at FVTOCI.

(c) The Company also held United States treasury bills with effective interest rates ranging from 0% to 0.75%, 0% to 1% and 0% to 1.25% as at December 31, 2016 and 2017 and September 30, 2018, respectively. The investment is classified as debt instruments at FVTOCI.

19. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

The Group and the Company

Time deposits

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Time deposits	–	–	756,712

The time deposits are placed with bank in the PRC with a term of 1 year upon placement. Since the time deposits will be matured within 1 year from September 30, 2018, the time deposits are classified as current assets.

The Group

Cash and cash equivalents

	At December 31,		At September 30,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	44,889	75,175	51,361
Cash equivalents *(note)*	14,650	8,215	682,984
	59,539	83,390	734,345

The Company

	At December 31,		At September 30,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	1,953	36,745	2,499
Cash equivalents *(note)*	14,650	8,215	682,984
	16,603	44,960	685,483

Note: Cash equivalents mainly represent investments in a public debt constant net asset value money market funds.

The Group and the Company

Time deposits and cash at banks carry interests at market rates ranging as follows per annum:

	At December 31,		At September 30,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Time deposits	N/A	N/A	3.32%
Cash at banks	0.00%-0.3%	0.00%-0.3%	0.00%-0.3%

The carrying amounts of the Group's time deposits and cash and cash equivalents denominated in currencies other than functional currencies of the relevant group entities at the end of each reporting periods are as follows:

The Group

	At December 31,		At September 30,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
United States Dollar ("USD")	53,773	71,172	1,484,742

The Company

	At December 31,		At September 30,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
USD	16,603	44,960	1,442,195

20. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At December 31,		At September 30,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	302	2,000
Accrued expenses			
– Research and development	46,132	12,162	36,558
– Legal and professional fees	2,321	1,119	3,846
– Issue costs and listing expenses	–	–	7,029
– Others	–	20	1,653
	48,453	13,301	49,086
Interest payables	240	–	–
Other payables	731	358	173
Other tax payable	–	104	106
Payables in respect of acquisition of property, plant and equipment	–	3,391	1,397
Staff payroll payable	1,198	7,277	11,311
	50,622	24,733	64,073

The credit period on trade purchase is 0 to 90 days. Ageing analysis of the Group's trade payables based on the invoice dates at the end of each reporting period is as follows:

	At December 31,		At September 30,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
31-60 days	–	302	2,000

The Company

Balance represents accrued expenses for research and development expenses, legal and professional fees, issue costs and listing expenses, staff payroll payable and other payables.

21. DEFERRED INCOME

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Subsidies related to property, plant and equipment *(note a)*	–	–	1,937
Other subsidies *(note b)*	2,000	2,000	–
	2,000	2,000	1,937
Analysed as:			
non-current	–	–	1,937
current	2,000	2,000	–

Notes:

(a) The Group received government subsidies for capital expenditure incurred for the plant and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) In 2016 and 2017, the Group received a government subsidy of approximately RMB2 million and RMB2 million, respectively, towards research and development projects. Certain conditions have to be fulfilled until the subsidy can be regarded as fully granted. As at December 31, 2016 and 2017, the relevant conditions have not been fully reached and therefore, the government subsidy was deferred. The deferred income held by the Group as of December 31, 2016 and 2017 have been recognised by the Group during the year ended December 31, 2017 and the nine months ended September 30, 2018 respectively and included in government grant income upon the Group has satisfied all conditions of the grant in the following year/period.

22. AMOUNT DUE FROM/TO A SUBSIDIARY

The Company

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

23. PREFERRED SHARES AND DERIVATIVE FINANCIAL LIABILITIES

During the year ended December 31, 2016, the Company entered into share purchase agreements with several independent investors and issued two tranches of Preferred Shares. Furthermore, the Company, together with CStone Suzhou, entered into an investment agreement and option agreement with Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. ("Yuanshi"), an onshore investor that chosen to pay directly into equity of CStone Suzhou.

On April 28, 2018, the Company entered into Series B share purchase agreement (the "Series B Share Purchase Agreement") in which it covers arrangement on restructuring equity interest of Yuanshi in the Group, as follows:

(i) the Company will cancel the reservation of 22,500,000 Series A-2 Preferred Shares for issuance to Yuanshi;

(ii) the Company will issue, and Yuanshi or its affiliate will subscribe for, 7,945,757 Series A-3 Preferred Shares of the Company at a price of US$5.6634 per share (the "Series A-3 Preferred Shares") for an aggregate purchase price of US$45 million (equivalent to approximately RMB304 million) (the "Series A-3 Consideration");

(iii) the Series A-3 Consideration will be applied by CStone HK to acquire the equity interests in CStone Suzhou held by Yuanshi which will result in CStone Suzhou becoming a wholly-owned subsidiary of the Company; and

(iv) the Company will repurchase and cancel 10,000,000 Series A-1 Preferred Shares held by Yuanshi in exchange for the issue of 24,554,243 Series A-4 preferred shares (the "**Series A-4 Preferred Shares**") to Yuanshi, which Series A-4 Preferred Shares shall have a purchase price of US$0.40726158 per share (i.e., the aggregate purchase price for the 24,554,243 Series A-4 Preferred Shares to be subscribed by Yuanshi as described in this paragraph (iv) shall be US$10 million).

Further on April 28, 2018, the directors of the Company resolved that the Company to issue 45,908,818 Series B-1 Preferred Shares at the purchase price of USD5.6634 per share.

On August 3, 2018, the directors of the Company resolved that the Company will issue up to an additional 353,144 Series B-2 Preferred Shares at the purchase price of USD5.6634 per share to a limited partnership approved by the Company which is owned by the employees of the Group and 332,165 Series B-2 Preferred Shares were issued by the Company on September 25, 2018.

Further on August 3, 2018, the Company and Yuanshi further entered into the Series A Preferred Shares Agreement (the "Shares Transfer Agreement") to execute the arrangement on restructuring equity interest of Yuanshi in the Group pursuant to the Series B Share Purchase Agreement.

On August 22, 2018, the shares transfer has been completed and an aggregate of 7,945,757 Series A-3 Preferred Shares were issued to the affiliates of Yuanshi, namely Oriza Seed Fund L.P. ("Oriza Seed") and Hikeo Biotech L.P. ("Hikeo") at the price of US$5.6634 per share and at an aggregate consideration of US$45,000,000.

On the same date, Yuanshi transferred 10,000,000 Series A-1 Preferred Shares to the Company free from encumbrance in exchange for an aggregate of 24,554,243 Series A-4 Preferred Shares of the Company. The Series A-4 Preferred Shares issued in exchange for the Series A-1 Preferred Shares have a deemed value of US$0.40726158 per Series A-4 Preferred Share.

Accordingly, the 10,000,000 Series A-1 Preferred Shares and 22,500,000 Series A-2 Preferred Shares held by Yuanshi were replaced by 24,554,243 Series A-4 Preferred Shares and 7,945,757 Series A-3 Preferred Shares on August 22, 2018.

The par value of preferred share is US$0.0001 each and the difference between the par value and the subscription price is recognised as share premium.

The two series of Preferred Shares were issued as follows:

	Date	Number of Investors	Total number of shares subscribed (cancelled)	Subscription price per share	Total consideration	Equivalent to RMB	Fair value of conversion features at date of issuance	Equity component
					USD'000	*RMB'000*	*RMB'000*	*RMB'000*
Offshore subscription								
Series A								
– Tranche 1	April 1, 2016	4	45,000,000	USD1	45,000	290,632	–	290,632
– Tranche 1	August 22, 2018	(1)	(10,000,000)	USD1	(10,000)	(68,271)	–	(68,271)
		3	35,000,000		35,000	222,361	–	222,361
– Tranche 2	December 1, 2016	3	30,000,000	USD2	60,000	413,748	(206)	413,542
– Tranche 3	August 22, 2018	1	7,945,757	USD5.66	45,000	307,219	893	308,112
– Tranche 4	August 22, 2018	1	24,554,243	USD0.41	10,000	68,271	–	68,271
			97,500,000		150,000	1,011,599	687	1,012,286

	Date	Number of Investors	Total number of shares subscribed (cancelled)	Subscription price per share	Total consideration	Equivalent to RMB	Fair value of conversion features at date of issuance	Equity component
					USD'000	*RMB'000*	*RMB'000*	*RMB'000*
Series B								
– Tranche 1	April 28, 2018	19	45,908,806	USD5.66	260,000	1,648,218	(43,445)	1,604,773
– Tranche 2 *(note 25)*	September 25, 2018	1	332,165	USD5.66	1,881	12,876	(431)	12,445
			46,240,971		261,881	1,661,094	(43,876)	1,617,218
Onshore subscription								
Series A*								
– Tranche 2	December 1, 2016	1	22,500,000	USD2	45,000	304,029	(155)	303,874
	August 22, 2018	1	(22,500,000)	USD2	(45,000)	(304,029)	155	(303,874)
			–		–	–	–	–

* Represented the subscription of Preferred Shares by Yuanshi who settled directly as capital contribution into CStone Suzhou of approximately RMB304,029,000 with a Share Purchase Option before the equity interests of CStone Suzhou held by Yuanshi were restructured to CStone HK pursuant to the Shares Transfer Agreement.

The key terms of preferred shares are summarised as follows:

(a) Dividends rights

The directors of the Company may from time to time by unanimous resolution declare dividends (including interim dividends) and distributions on shares of the Company outstanding and authorise payment of the same out of the funds of the Company lawfully available therefore and provided that such dividends and distributions shall only be declared and paid on a pro rata basis, based on the number of shares then held by each member on an as-converted basis.

No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until (1) all declared but unpaid dividends on the Preferred Shares have been paid in full (calculated on as-converted basis), and (2) a distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each outstanding Preferred Shares such that the distribution declared, paid, set aside or made to the holder thereof shall be equal to the distribution that such holder would have received if such Preferred Shares had been converted into ordinary shares immediately prior to the record date for such distribution, or if no such record date is established, the date such distribution is made.

(b) Conversion feature

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the respective original issue date into such number of fully paid and non-assessable ordinary shares as determined by dividing the respective issue price by the respective Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which ordinary shares shall be issuable upon conversion of the Preferred Shares (the "Conversion Price") shall initially be the respective issue price per Preferred Share. Such initial Conversion Price shall be subject to adjustment (including but not limited to dividends, share splits and combinations, capital reorganisation or reclassification, and adjustment upon issuance of new securities for consideration per shares less than Conversion Price) and the initial conversion ratio for Preferred Shares to ordinary shares is 1:1.

Each Preferred Share shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the closing of a Qualified Public Offering (as defined below), or (ii) for each class or series of Preferred Shares, the written consent of the holders of a majority of such class or series of Preferred Shares. In the event of the automatic conversion of any class or series of Preferred Shares upon a Qualified Public Offering, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such sale of securities.

Qualified Public Offering means a firm underwritten public offering of the ordinary shares of the Company on Hong Kong Stock Exchange, Nasdaq Stock Market, New York Stock Exchange, London Stock Exchange or recognised regional or national securities exchange approved by the holders of a majority of the outstanding Preferred Shares.

(c) Liquidation preferences

In the event of any liquidation of the Company, the preferred shareholders shall be entitled to receive, prior and in preference to any distribution of any of the funds and assets of the Company to the holders of ordinary shares or any other class or series of shares by reasons of their ownership of such share, the liquidation preference amount per share is the higher of (i) 100% of the original issues price, plus all declared but unpaid dividends ("Preferred Share Preference Amount") or (ii) if for each and every Preferred Share, the amount to which its holder would be entitled to receive in a liquidation event with respect to such Preferred Share if converted to ordinary shares immediately prior to such liquidation event (the "Preferred Share Pro Rata Amount").

If upon the occurrence of a liquidation event of the Company, the assets and funds thus distributed among the holders of Preferred Shares shall be insufficient to permit the payment to such holders of the full Preferred Share Preference Amount (if greater than the Preferred Share Pro Rata Amount), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of Preferred Shares in proportion to the Preferred Share Preference Amount each such holder is otherwise entitled to receive.

(d) Voting rights

The holder of any ordinary share issued and outstanding shall have one vote for each ordinary share held by such holder, and the holder of any Preferred Share shall be entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited, such votes to be counted together with all other shares of the Company having general voting power and not counted separately as a class except as otherwise provided herein. Holders of ordinary shares and Preferred Shares shall be entitled to notice of any members' meeting. Ordinary shares and Preferred Shares shall vote together as a single class and calculated on an as converted basis on matters to be voted by the holders of ordinary shares and Preferred Shares.

Investment Arrangement – Onshore PRC Investor

Yuanshi entered into Series A Preferred Shares agreement that the relevant investments were contributed as capital of CStone Suzhou. The Company has entered into an additional option agreement with Yuanshi, in which the investor is entitled to an option for subscribing the same number of the same series Preferred Shares issued by the Company ("Share Purchase Option"). The number of the Preferred Shares issuable pursuant to the exercise of the Share Purchase Option shall be subject to (a) any appropriate adjustments for any subsequent share splits, share subdivisions, consolidation or combinations of shares, dividends or distributions of shares or other securities, reclassification, capital reorganisation or similar arrangement, as well as merger, consolidation or redemption in accordance with the then applicable Amended and Restated Memorandum and Articles of Association of the Company and (b) any change or adjustment of the equity interest held by such investor pursuant to the investment agreement. The Share Purchase Option can be exercised at any time at the investor's own discretion, provided that the restructuring process for the investor's exercise of such Share Purchase Option complies with all applicable laws. The investor shall exercise its Share Purchase Option upon the request of the Company if the shareholders of the Company approve an initial public offering on a public stock exchange of any jurisdiction other than the PRC. CStone HK shall purchase from Yuanshi and Yuanshi shall sell to CStone HK, all of its equity interest in CStone Suzhou at the price determined by Yuanshi and the Company in good faith based on book value of the Company according to the latest audited financial statements of the Company, taking into accounting the Company's goodwill, ownership of valuable contractual obligations, cooperation and supply chain, so long as the preferred shares purchase price is in compliance with the applicable tax regulations (the "Equity Transfer"). The Equity Transfer shall be completed by the parties within one year after the date of the Share Purchase Option notice. No Share Purchase Option has been exercised during the years ended December 31, 2016 and 2017.

On August 3, 2018, Yuanshi entered into a Share Transfer Agreement with, among others, CStone HK, pursuant to which Yuanshi agreed to transfer CStone HK all of its equity interests in CStone Suzhou. CStone HK agreed to pay Yuanshi the consideration of the transfer of equity interests in Cstone Suzhou using the total consideration of US$45 million as determined based on the terms of Share Purchase Option agreement and Yuanshi agreed to pay the same consideration for the subscription of Series A-3 Preferred Shares by Oriza Seed and Hikeo, the affiliates of Yuanshi. On August 22, 2018, the Group has completed the equity transfer and CStone Suzhou has become an indirect wholly-owned subsidiary of the Company since then.

On August 22, 2018, the Company also repurchased 10,000,000 Series A-1 Preferred Shares from Yuanshi by issuing 24,554,243 Series A-4 Preferred Shares to Oriza Seed and Hikeo at a total consideration of US$10 million. As a result, Oriza Seed and Hikeo have replaced Yuanshi as the preferred shareholders of the Company.

Presentation and Classification

The Preferred Shares are considered as equity instruments and are determined by deducting the fair value of the conversion features from the gross proceeds.

The Group and the Company have recognised the conversion features attached to the Preferred Shares as financial liabilities measured at FVTPL.

Furthermore, the Company has recognised the Share Purchase Option as derivative financial liabilities measured at FVTPL.

The change in fair value of the conversion features attached to the Preferred Shares and Share Purchase Option is charged to profit or loss and is included in the loss on fair value changes of derivative financial liabilities under the "other gains and losses" line item. Management considered that there is no credit risk of the financial liability that drives the change of the fair value of the financial liability.

The conversion features and Share Purchase Option were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, ValueLink Management Consultants Limited, which has appropriate qualifications and experiences in valuation of similar instruments. The address of ValueLink Management Consultants Limited is Room 1201, Jing Guang Centre Business Building, 1 Chaoyangmen Outer Street, Chaoyang District, Beijing.

The Company used the back-solve method to determine the underlying share value of the Company and performed an equity allocation based on a Binomial Option Pricing model ("OPM model") to arrive the fair value of the conversion features as of the dates of issuance and at the end of each reporting period.

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in OPM model to determine the fair value are as follows:

	At April 1, 2016	At December 1, 2016	At December 31, 2016	At December 31, 2017	At April 28, 2018	At August 22, 2018	At September 25, 2018	At September 30, 2018
Time to IPO	5.0 years	4.3 years	4.2 years	3.25 years	1 year	0.6 years	0.5 years	0.5 years
Time to liquidation	6 years	6 years	6 years	6 years	6 years	6 years	6 years	6 years
Risk-free interest rate	1.37%	2.07%	2.08%	2.26%	2.86%	2.73%	2.97%	2.97%
Volatility	59.44%	58.91%	58.80%	58.88%	58.53%	56.45%	56.92%	56.92%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Possibilities under liquidation scenario	99%	95%	95%	80%	70%	60%	60%	60%
Possibilities under IPO scenario	1%	5%	5%	20%	30%	40%	40%	40%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates.

The Group

Conversion features

	At January 1, 2016	Issuance	Fair value changes	At December 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Series A				
– Tranche 1	–	–	5,665	5,665
– Tranche 2	–	361	536	897
	–	361	6,201	6,562

	At January 1, 2017	Issuance	Fair value changes	At December 31, 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Series A				
– Tranche 1	5,665	–	42,866	48,531
– Tranche 2	897	–	37,067	37,964
	6,562	–	79,933	86,495

	At January 1, 2018	(Cancellation)/ Issuance	Fair value changes	At September 30, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Series A				
– Tranche 1	48,531	(55,724)	216,613	209,420
– Tranche 2	37,964	(99,795)	220,861	159,030
– Tranche 3	–	10,269	3,385	13,654
– Tranche 4	–	145,250	9,931	155,181
Series B	–	43,876	35,582	79,458
	86,495	43,876	486,372	616,743

The Company	Conversion features	Share Purchase Option
	RMB'000	*RMB'000*
At January 1, 2016	–	–
Issuance	361	41,560
Change in fair value *(note)*	5,816	326
At December 31, 2016	6,177	41,886
Change in fair value *(note)*	64,047	(13,543)
At December 31, 2017	70,224	28,343
Issuance/(Exercise)	143,671	(103,879)
Change in fair value *(note)*	402,848	75,536
At September 30, 2018	616,743	–

Note: Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

24. ORDINARY SHARE CAPITAL

	Number of shares	Share capital
		USD'000
Ordinary shares		
Ordinary shares of USD0.0001 each		
Authorised		
At January 1, 2016	500,000,000	50
Reclassification and re-designation on issuance of Series A Preferred Shares *(note a)*	(97,500,000)	(10)
At December 31, 2016 and 2017	402,500,000	40
Reclassification and re-designation on issuance of Series B Preferred Shares *(note b)*	(46,261,962)	(5)
At September 30, 2018	356,238,038	35

	Number of shares	Amount	Equivalent amount of ordinary shares
		USD'000	*RMB'000*
Issued and fully paid			
At January 1, 2016	1	–	–
Issuance of ordinary shares *(note c)*	39,999,999	4	26
At December 31, 2016 and 2017	40,000,000	4	26
Issuance of restricted shares *(note d)*	1,000,000	–	1
Exercise of share options *(note e)*	1,573,266	–	1
At September 30, 2018	42,573,266	4	28

Notes:

(a) On April 1, 2016 and December 23, 2016, the Company redesignated and reclassified 45,000,000 shares and 52,500,000 shares in its authorised capital, respectively, into Series A Preferred Shares with details set out in note 23.

(b) On April 28, 2018, the Company redesignated and reclassified 46,261,962 shares in its authorised capital into Series B Preferred Shares with details set out in note 23.

(c) On March 5, 2016, the Company issued 39,999,999 ordinary shares amounting to RMB2,611,000 with a par value of USD0.0001 each to its existing ordinary shareholder, WuXi Healthcare Ventures II, LP.

(d) On April 1, 2018, 1,000,000 restricted shares with subscription price of USD0.0001 per share were issued to Dr. Jiang with details set out in note 25.

(e) During the nine months ended September 30, 2018, share option holders exercised their rights to subscribe for 1,324,333 and 248,933 ordinary shares in the Company at US$0.15 and US$0.10 per share, respectively.

25. SHARE-BASED PAYMENT TRANSACTIONS

(a) Restricted share award

On April 1, 2018, the Company issued an aggregate of 1,000,000 restricted shares to Dr. Jiang at a subscription price of USD0.0001 per share.

437,500 restricted shares shall vest immediately on the grant date, and the remaining 562,500 shares shall be subject to repurchase at the option by the Company at the subscription price paid by Dr, Jiang upon voluntary or involuntary termination of his employment with the Company (the "Repurchase Option"), arising which 20,833 of the unvested shares shall be vested and be released from the Repurchase Option on a monthly basis from May 1, 2018 until July 1, 2020.

Dr. Jiang shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and Dr, Jiang shall not transfer any vested shares, or any interest therein until Dr. Jiang has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee. The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant date and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares.

The total expense recognised in the consolidated statements of profit or loss and other comprehensive income for the restricted shares granted are approximately nil, nil, nil (unaudited) and RMB20,892,000 respectively, for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018.

The restricted shares were valued by the directors of the Company with reference to the valuation carried out by Valuelink Management Consultants Limited, on the grant date of the restricted shares. The fair value of the restricted shares was determined to be RMB28.13 per share as of April 1, 2018.

Dr. Jiang

The following table summarised the Group's unvested restricted shares movement during for the nine months ended September 30, 2018:

	Number of unvested restricted shares	Weighted average granted date fair value
		RMB
Unvested as at January 1, 2018	–	–
Granted	1,000,000	28.13
Vested	(541,665)	28.13
Unvested as at September 30, 2018	458,335	28.13

Fair value of restricted shares granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the restricted shares granted. The key inputs into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

	At April 1, 2018
Time to IPO	1 year
Time to liquidation	6 years
Risk-free interest rate	2.86%
Volatility	58.53%
Dividend yield	0%
Possibilities under liquidation scenario	70%
Possibilities under IPO scenario	30%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the valuation date to the expected liquidation date. Volatility was estimated on the valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation date.

(b) Employee stock option plan

During the year ended December 31, 2016, the Group granted share options under its employee stock option plan (the "Plan") for the purpose of incentivising, retaining and rewarding certain employees and board members of the Company or its subsidiaries ("Eligible Persons") for their contributions to the Group's business, and to align their interests with those of the Group.

The directors of the Company adopted and approved such Plan on July 7, 2017, with the intent at that time that the directors of the Company delegated full authority to Dr. Jiang, the executive director of the Company, to grant option awards in accordance with the Plan before such Plan was approved and adopted by the directors of the Company. The overall limit on the number of underlying shares which may be delivered under the Plan was 24,010,293 shares of the Company, subject to any adjustments for other dilutive issuances.

Except as provided otherwise in the grant letter or offer in any other form by the directors of the Company, the vesting schedule of the share options shall be a sixty months vesting schedule consisting of a cliff vesting of twenty percent after twelve months from the vesting commencement date and, thereafter, monthly vesting of equal instalments over the remaining forty-eight months.

On August 3, 2018, the board of directors of the Company resolved to adopt and approved the amended and restated employee equity plan (the "Amended Plan") for the purpose of granting restricted share units (as disclosed in note 25 (c)) and other equity incentive permitted by the Amended Plan to the employees, directors, consultants and advisors of the Company. Further on August 14, 2018, the board of directors of the Company resolved the change of vesting schedule and updated the outstanding options and restricted shares units (as described in note 25(c)) with the new vesting schedule under the Amended Plan, whereas 25% of the shares will be vested on the first anniversary of the original vesting commencement date, and the remaining shares will be vested with equal monthly installments over the following thirty-six months.

The share options and the restricted share units as set out in note 25(c) shall be restricted to the eligible employees and shall not be assignable to other person. No eligible employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any share option and restricted share units or attempt to do so.

The overall limit on the number of underlying shares which may be delivered under the Amended Plan for both employees stock option plan and the restricted shares units as set out in note 25(c) is 32,707,813 shares of the Company. The incremental fair value at the modification date is assessed to be insignificant as there is no change in exercise price nor exercisable period.

The following table discloses movements of the Company's share options held by grantees during the years/periods:

	Number of share options							
	Dr. Jiang				Employees			
	Year ended December 31,		Nine months ended September 30,		Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018	2016	2017	2017	2018
			(unaudited)				*(unaudited)*	
Outstanding at the beginning of the year/period	–	5,180,000	5,180,000	5,180,000	–	4,508,000	4,508,000	5,862,000
Granted	5,180,000	–	–	–	4,508,000	2,424,000	2,276,000	3,049,380
Forfeited	–	–	–	–	–	(1,070,000)	(870,000)	(815,000)
Exercised	–	–	–	(1,324,333)	–	–	–	(248,933)
Outstanding at the end of the year/period	5,180,000	5,180,000	5,180,000	3,855,667	4,508,000	5,862,000	5,914,000	7,847,447

At December 31, 2016 and 2017 and September 30, 2018, nil, 821,097 and 4,078,326 outstanding options were exercisable, respectively.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the years/periods:

	Weighted average exercise price							
	Dr. Jiang				Employees			
	Year ended December 31,		Nine months ended September 30,		Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018	2016	2017	2017	2018
	USD	*USD*	*USD (unaudited)*	*USD*	*USD*	*USD*	*USD (unaudited)*	*USD*
Granted during the year/period	0.17	–	–	–	0.17	0.16	0.16	0.54
Forfeited during the year/period	–	–	–	–	–	0.17	0.17	0.17
Exercised during the year/period	–	–	–	0.15	–	–	–	0.10

Fair value of share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the option granted. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

	Year ended December 31,		Nine months ended September 30,
	2016	2017	2018
Grant date option fair value per share	USD0.87 – USD1.52	USD2.02 – USD3.90	USD2.73 – USD4.98
Weighted average share price	USD1.09 – USD1.65	USD2.21 – USD3.97	USD4.47 – USD5.07
Exercise price	USD0.10 – USD0.20	USD0.10 – USD0.20	USD0.10 – USD2.37
Expected volatility	58.27% – 59.03%	57.35% – 59.90%	55.82% – 58.89%
Expected life	5 years	5 years	4 years
Risk-free rate	0.97% – 2.11%	1.85% – 2.27%	2.68% – 2.91%
Expected dividend yield	0%	0%	0%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The total expense recognised in the consolidated statements of profit or loss and other comprehensive income for share options granted to a director of the Company and employees are approximately RMB9,368,000, RMB28,088,000, RMB20,822,000 (unaudited) and RMB37,676,000, respectively, for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018.

(c) RSUs

On August 3, 2018, RSUs of the Company were granted at nil consideration to the grantees by the board of directors in accordance with the Amended Plan.

On August 14, 2018, the board of directors of the Company resolved and approved the vesting schedule of the RSU with 25% of the shares to be vested on the first anniversary of the vesting commencement date, and the remaining shares to be vested with equal monthly installments over the following thirty-six months.

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the restricted shares as of the grant date and recognised the amount as compensation expense over the vesting period for each separate vesting portion of the RSUs. The total expense recognised in the consolidated statements of profit or loss and other comprehensive income for RSUs granted to a director of the Company and employees are approximately nil, nil, nil (unaudited) and RMB113,443,000, respectively, for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018.

The RSUs were valued by the directors of the Company with reference to the valuation carried out by Valuelink Management Consultants Limited, on the grant date of the RSUs. The fair value of the RSUs was determined to be USD4.47 per share at August 3, 2018.

The following table summarised the Group's RSUs movement during the years/periods:

	Number of RSU							
	Dr. Jiang				Employees			
	Year ended December 31,		Nine months ended September 30,		Year ended December 31,		Nine months ended September 30,	
	2016	2017	2017	2018	2016	2017	2017	2018
			(unaudited)				*(unaudited)*	
Outstanding at the beginning of the year/period	–	–	–	–	–	–	–	–
Granted	–	–	–	4,240,956	–	–	–	4,226,585
Outstanding at the end of the year/period	–	–	–	4,240,956	–	–	–	4,226,585

As at September 30, 2018, 2,835,213 RSUs has been vested but not yet registered and 5,632,328 RSUs remain unvested.

Fair value of RSUs granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the RSUs granted. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model other than the underlying equity fair value of the Company at grant date were as follows:

	At August 3, 2018
Time to IPO	0.75 year
Time to liquidation	6 years
Risk-free interest rate	2.77%
Volatility	57.97%
Dividend yield	0%
Possibilities under liquidation scenario	70%
Possibilities under IPO scenario	30%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the valuation date to the expected liquidation date. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation date.

(d) B-2 Preferred shares

On August 3, 2018, the board of directors of the Company resolved that the Company will issue up to an additional 353,144 Series B-2 Preferred Shares at the purchase price of USD5.6634 per share to a limited partnership approved by the Company which is owned by the employees of the Group. On August 22, 2018, the board of directors of the Company further approved and announced the granting of the Series B-2 Preferred Shares to respective employees, and these 332,165 Series B-2 Preferred Shares were issued by the Company on September 25, 2018.

The B-2 Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, ValueLink Management Consultants Limited, which has appropriate qualifications and experiences in valuation of similar instruments. The fair value was determined to be USD5.87 per share as of August 22, 2018.

The total expense recognised in the consolidated statements of profit or loss and other comprehensive income for B-2 Preferred Shares subscribed by the employees are approximately nil, nil, nil (unaudited) and RMB1,029,000, respectively, for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018.

Fair value of B-2 Preferred Shares granted

Back-solve method was used to determine the underlying equity fair value of the Company and OPM model to determine the fair value of the B-2 Preferred Shares granted. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model other than the underlying fair value of the Company at grant date were as follows:

	At August 22, 2018
Time to IPO	0.6 years
Time to liquidation	6 years
Risk-free interest rate	2.73%
Volatility	56.45%
Dividend yield	0%
Possibilities under liquidation scenario	60%
Possibilities under IPO scenario	40%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the valuation date to the expected liquidation date. Volatility was estimated on the valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation date.

26. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and laboratory premises which fall due as follows:

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,020	2,370	4,326
In the second to fourth year inclusive	1,514	4,140	2,991
	2,534	6,510	7,317

The leases are generally negotiated for lease terms of one to four years at fixed rentals.

27. RETIREMENT BENEFIT PLANS

The PRC

The employees of the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are approximately RMB272,000, RMB2,423,000, RMB1,535,000 (unaudited) and RMB4,618,000 for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, respectively.

28. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, the Group also entered into the following transactions during the Track Record Period with certain related parties.

(I) Transactions

Name of related company	Nature of transaction	For the period from January 1, 2016 to March 31, 2016
		RMB'000
WuXi AppTec (Hong Kong) Limited ("WuXi AppTec HK") *(note a)*	Research and development expenses	32,000
	Interest expenses	60
WuXi Biologics (Shanghai) Limited ("WuXi Biologics Shanghai") (note b)	Research and development expenses	13,971

Notes:

(a) WuXi AppTec HK is a subsidiary of 無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd.* ("WuXi AppTec"). WuXi AppTec HK is considered as a related party from January 1, 2016 to March 31, 2016 as Healthcare Ventures II, L.P., the then controlling shareholder of the Group during the period, is an associate of WuXi AppTec.

(b) WuXi Biologics Shanghai is considered as a related party as Dr. Ge Li, the ultimate controlling shareholder of WuXi Biologics Shanghai, has significant influence over Healthcare Venture II, L.P., the then controlling shareholder of the Group during the period from January 1, 2016 to March 31, 2016.

* *For identification purpose only*

(II) Compensation of Key Management Personnel

The remuneration of directors of the Company and other members of key management were as follows:

	Year ended December 31,		Nine months ended September 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Short term benefits	2,212	11,669	8,604	13,109
Retirement benefit scheme contributions	21	126	90	167
Share-based payment	7,908	24,324	18,217	152,218
	10,141	36,119	26,911	165,494

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remain unchanged throughout the Track Record Period.

The capital structure of the Group consists of debts, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, preferred shares and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS

30a. Categories of financial instruments

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Financial assets			
Amortised cost (including cash at banks and time deposits)	45,649	75,995	810,694
Cash equivalents at FVTPL	14,650	8,215	682,984
Other investments classified as financial assets measured at FVTPL	294,695	56,593	19,766
Debt instruments at FVTOCI	457,693	397,710	203,314
Financial liabilities			
Amortised cost	971	4,051	3,570
Derivative financial liabilities	6,562	86,495	616,743

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Company			
Financial assets			
Amortised cost (including cash at banks and time deposit)	2,473	37,235	779,719
Cash equivalents at FVTPL	14,650	8,215	682,984
Debt instruments at FVTOCI	457,693	397,710	203,314
Financial liabilities			
Amortised cost	–	670	804
Derivative financial liabilities	48,063	98,567	616,743

30b. Financial risk management objectives and policies

The Group's financial instruments include deposits and other receivables, debt instruments measured at FVTOCI, other investments classified as financial assets measured at FVTPL, time deposits, cash and cash equivalents, derivative financial liabilities, and trade and other payables. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain cash and cash equivalents, time deposits, other receivables, debt instruments measured at FVTOCI, other investments classified as financial assets measured at FVTPL and trade and other payables are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

The carrying amounts of monetary assets and liabilities denominated in USD at the end of the reporting period are as follows:

	Assets			Liabilities		
	At December 31,		At September 30,	At December 31,		At September 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
USD	511,986	469,372	1,689,369	–	–	96

	Assets			Liabilities		
	At December 31,		At September 30,	At December 31,		At September 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company						
USD	474,816	443,160	1,666,017	–	670	804

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against USD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates increase in post-tax loss where RMB strengthens 5% against USD. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	At December 31,		At September 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Impact of USD on loss for the year/period	25,599	23,469	84,464
The Company			
Impact of USD on loss for the year/period	23,741	22,125	83,261

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt instruments at FVTOCI and time deposits. The Group is also exposed to cash flow interest rate risk in relation to cash at banks (note 19). The Company currently does not enter into any hedging instrument for fair value or cash flow interest rate risk.

Sensitivity analysis

No sensitivity analysis is performed as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate cash at banks is insignificant because the current market interest rates are relatively low and stable and no sensitivity analysis is performed on the fixed-rate debt instruments at FVTOCL as the directors of the Company considered risk arising from fixed-rate debt instruments is insignificant because these investments have short maturity terms.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from derivative financial liabilities and money market funds. The Group and the Company are also exposed to price risk arising from investments in debt instruments at FVTOCI.

Sensitivity analysis

Derivative financial liabilities

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date for derivative financial liabilities.

If the equity value of the Company had been changed based on the 5% higher/lower:

- the post-tax loss of the Group for the year ended December 31, 2016 would increase by RMB324,000 and decrease by RMB241,000;
- the post-tax loss of the Group for the year ended December 31, 2017 would increase by RMB6,524,000 and decrease by RMB6,532,000; and
- the post-tax loss of the Group for the nine months ended September 30, 2018 would increase by RMB28,992,000 and decrease by RMB29,301,000.

Money Market Fund

No sensitivity analysis is performed as the directors of the Company consider that the exposure of other price risk arising from the money market funds is insignificant because investments in money market funds are mainly on government treasury securities with high credit rating and liquidity.

Investments in debt instruments at FVTOCI

The sensitivity analysis below have been determined based on the exposure to other price risk at the end of each reporting periods for investments in debt instruments at FVTOCI.

If the prices of the respective investments had been changed based on the 5% higher/lower, other comprehensive income for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018 would increase/decrease by RMB22,885,000, RMB19,886,000 and RMB10,166,000, respectively.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors and other debt instruments issuers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For other receivables, subscription receivable for share options due from Dr. Jiang and subscription receivable from a preferred shareholder, the directors of the Company considered that the ECL allowance is insignificant at the end of each reporting period.

The credit risk on time deposits, cash at banks, debt instruments at FVTOCI and investments in money market fund of the Group is limited because the counterparties are banks, bond issuers, government and financial institutions with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on Preferred Shares as a significant source of liquidity.

During the Track Record Period, the Group issued Series A and B Preferred Shares to independent investors which do not contain any redemption term by the holders. The directors of the Company are satisfied that the Group and the Company will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the Preferred Shares and the expected working capital requirements for the next twelve months from the end of the reporting period.

The following table details remaining contractual maturity of the Group and the Company for the payables which has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group and the Company can be required to pay.

Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 3 months	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
At December 31, 2016				
Trade and other payables	–	971	971	971
At December 31, 2017				
Trade and other payables	–	4,051	4,051	4,051
At September 30, 2018				
Trade and other payables	–	3,570	3,570	3,570

	Weighted average effective interest rate	Repayable on demand or less than 3 months	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
The Company				
At December 31, 2016				
Other payables	–	–	–	–
At December 31, 2017				
Amount due to a subsidiary	–	670	670	670
At September 30, 2018				
Other payables	–	98	98	98
Amount due to a subsidiary	–	706	706	706
		804	804	804

30c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities (except for those set out below) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets and financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2017	Fair value as at September 30, 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*				
The Group							
(1) Wealth management products	294,695	56,593	19,766	Level 2	Income approach – In this approach, the discounted cash flow method was used to estimate the return from underlying assets.	N/A	N/A
(2) Conversion features derivatives	6,562	86,495	616,743	Level 3	Back-solve method and OPM model – the key inputs are: time to liquidity, risk-free interest rate, volatility and dividend yield, and possibilities under liquidation and IPO scenario	Possibilities under liquidation scenario 2016: 95% 2017: 80% 2018: 60% Possibilities under IPO scenario 2016: 5% 2017: 20% 2018: 40%	The higher the possibilities under liquidation scenario, the lower the fair value The higher the possibilities under IPO scenario, the higher the fair value *(note a)*
(3) Corporate bonds	426,184	233,448	113,709	Level 1	Quoted bid prices in active market	N/A	N/A
(4) Treasury bills	31,509	164,262	89,605	Level 1	Quoted bid prices in active market	N/A	N/A
(5) Cash equivalents at FVTPL	14,650	8,215	682,984	Level 2	Based on the net asset values of the fund, which is determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

Financial assets and financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2017	Fair value as at September 30, 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*				
The Company							
(1) Conversion features derivatives	6,177	70,224	616,743	Level 3	Back-solve method and OPM model – the key inputs are: time to liquidity, risk-free interest rate, volatility and dividend yield, and possibilities under liquidation and IPO scenario	Possibilities under liquidation scenario 2016: 95% 2017: 80% 2018: 60% Possibilities under IPO scenario 2016: 5% 2017: 20% 2018: 40%	The higher the possibilities under liquidation scenario, the lower the fair value The higher the possibilities under IPO scenario, the higher the fair value *(note b)*
(2) Share Purchase Option	41,886	28,343	–	Level 3	Back-solve method and OPM Model – the key inputs are: time to liquidity, risk-free interest rate, volatility and dividend yield, and possibilities under liquidation and IPO scenario	Possibilities under liquidation scenario 2016: 95% 2017: 80% 2018: 60% Possibilities under IPO scenario 2016: 5% 2017: 20% 2018: 40%	*(note c)*
(3) Corporate bonds	426,184	233,448	113,709	Level 1	Quoted bid prices in active market	N/A	N/A
(4) Treasury bills	31,509	164,262	89,605	Level 1	Quoted bid prices in active market	N/A	N/A
(5) Cash equivalents at FVTPL	14,650	8,215	682,984	Level 2	Based on the net asset values of the fund, which is determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

Notes:

(a) A 5% increase/decrease in the possibilities under IPO scenario, which is equivalent to a 5% decrease/increase in the possibilities under liquidation scenario, while all other variables keep constant, would increase the carrying amount of conversion features as at December 31, 2016 and 2017 and September 30, 2018 by RMB6,561,000, RMB21,623,000 and RMB77,093,000, respectively or decrease the carrying amount as at December 31, 2016 and 2017 and September 30, 2018 by RMB6,561,000, RMB21,623,000 and RMB77,093,000, respectively.

(b) A 5% increase/decrease in the possibilities under IPO scenario, which is equivalent to a 5% decrease/increase in the possibilities under liquidation scenario, while all other variables keep constant, would increase the carrying amount of conversion features as at December 31, 2016 and 2017 and September 30, 2018 by RMB6,177,000, RMB17,556,000 and RMB77,093,000, respectively or decrease the carrying amount as at December 31, 2016 and 2017 and September 30, 2018 by RMB6,177,000, RMB17,556,000 and RMB77,093,000, respectively.

(c) A 5% increase/decrease in the possibilities under IPO scenario, which is equivalent to a 5% decrease/increase in the possibilities under liquidation scenario, while all other variables keep constant, would decrease the carrying amount of Share Purchase Option as at December 31, 2016 and 2017 by RMB2,205,000 and RMB1,771,000, respectively or decrease the carrying amount as at December 31, 2016 and 2017 by RMB12,585,000 and RMB28,343,000, respectively.

(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for conversion features derivatives and Share Purchase Option are set out in note 23.

Fair value gains or losses on derivative financial liabilities at FVTPL are included in "Loss on fair value changes of derivative financial liabilities measured at FVTPL" under "other gains and losses".

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

(iv) Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or uses quoted forward exchange rates derived from quoted exchange rates matching maturities of the contracts at the end of the reporting period. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

31. RECONCILIATION OF LIABILITIES OR ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities or assets arising from financing activities, including both cash and non-cash changes. Liabilities or assets arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Derivative financial liabilities	Subscription receivables for share options due from Dr. Jiang	Subscription receivable of Preferred Shares	Interest payable	Payable for issue costs	Total
	RMB'000	*RMB'000 (note 17)*	*RMB'000 (note 17)*	*RMB'000 (note 20)*	*RMB'000 (note 20)*	*RMB'000*
At January 1, 2016	–	–	–	–	–	–
Financing cash flow	361	–	–	–	–	361
Non-cash changes:						
Interest expenses	–	–	–	240	–	240
Foreign exchange rate changes	–	–	(3)	–	–	(3)
Issuance of preferred shares	–	–	(517)	–	–	(517)
Fair value changes	6,201	–	–	–	–	6,201
At December 31, 2016	6,562	–	(520)	240	–	6,282
Financing cash flows	–	–	–	(300)	–	(300)
Non-cash changes:						
Interest expenses	–	–	–	60	–	60
Foreign exchange rate changes	–	–	30	–	–	30
Fair value changes	79,933	–	–	–	–	79,933
At December 31, 2017	86,495	–	(490)	–	–	86,005
Financing cash flows	43,876	–	–	–	–	43,876
Non-cash changes:						
Foreign exchange rate changes	–	–	(26)	–	–	(26)
Fair value changes	486,372	–	–	–	–	486,372
Deferred issue costs accrual *(note 17)*	–	–	–	–	1,406	1,406
Exercise of share options	–	797	–	–	–	797
At September 30, 2018	616,743	797	(516)	–	1,406	618,430
(Unaudited)						
At January 1, 2017	6,562	–	(520)	240	–	6,282
Financing cash flows	–	–	–	(300)	–	(300)
Non-cash changes:						
Interest expenses	–	–	–	60	–	60
Foreign exchange rate changes	–	–	22	–	–	22
Fair value changes	66,583	–	–	–	–	66,583
At September 30, 2017 (unaudited)	73,145	–	(498)	–	–	72,647

32. RESERVES OF THE COMPANY

The movement of the reserves of the Company are as follows:

	Share premium	Investments revaluation reserve	Share-based payment reserve	Accumulated losses	Total
	RMB'000 (note 24)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016	–	–	–	–	–
Loss and total comprehensive expense for the year	–	(33)	–	(200,843)	(200,876)
Issuance of ordinary shares	2,585	–	–	–	2,585
Issuance of Preferred Shares	704,125	–	–	–	704,125
Recognition of equity-settled share-based payment	–	–	9,368	–	9,368
At December 31, 2016	706,710	(33)	9,368	(200,843)	515,202
Loss and total comprehensive expense for the year	–	(1,444)	–	(82,052)	(83,496)
Recognition of equity-settled share-based payment	–	–	28,088	–	28,088
At December 31, 2017	706,710	(1,477)	37,456	(282,895)	459,794
Loss and total comprehensive expense for the period	–	1,805	–	(724,467)	(722,662)
Issuance of Preferred Shares	1,925,285	–	–	–	1,925,285
Recognition of equity-settled share-based payment	21,921	–	151,119	–	173,040
Exercise of share options *(note 24e)*	11,975	–	(10,431)	–	1,544
At September 30, 2018	2,665,891	328	178,144	(1,007,362)	1,837,001

33. SUBSEQUENT EVENTS

Except as disclosed elsewhere in the Historical Financial Information, the Group has the following subsequent events after September 30, 2018:

a. Pursuant to the written resolutions of the shareholders of the Company passed on January 30, 2019, and subject to the share premium account of the Company being credited as a result of the issue of offer shares pursuant to the Hong Kong public offering and the international public offering (collectively as the "Global Offering"), the board of directors of the Company are authorised to allot and issue an aggregate of 598,241,649 shares credited as fully paid at par on the effective date of the Global Offering (the "Listing Date") to the holders of ordinary shares and Preferred Shares on the register of members of the Company in the Cayman Islands at the close of business on the business day preceding the Listing Date of the Global Offering, in proportion to their existing respective shareholdings (save that no holder of ordinary shares and Preferred Shares shall be entitled to be allotted or issued any fraction of a share) ("Capitalization Issue"). The shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

b. From October 1, 2018 to the February 11, 2019, being the latest practicable date as defined in the Prospectus, the Company granted 1,027,000 share options and 1,500,000 RSUs to employees. The vesting schedule of these share options and RSUs shall be 25% of the shares will be vested on the first anniversary of the vesting commencement date, and the remaining shares will be vested with equal monthly installments over the following thirty-six months.

   Further on January 31, 2019, the board of directors approved the proposed issue of 307,735 share options to employees, and 8,746,124 RSUs to a director and employees (the "2019 Pre-IPO Grant"). The vesting schedule of 2019 Pre-IPO Grant shall be 25% of the shares will be vested on the first anniversary of the vesting commencement date, and the remaining shares will be vested with equal monthly installments over the following thirty-six months. The 2019 Pre-IPO Grant is conditional upon a successful listing of the Company's shares on the HKEx with a minimum fund raising of US$300,000,000. The abovesaid share options and RSUs number will be adjusted in proportion to the Capitalization Issue.

c. On November 8, 2018, the board of directors of the Company resolved that the Company to repurchase 37,500 Series A-2 preferred shares from a preferred shareholder at a purchase price of US$75,000 (equivalent to approximately RMB516,000).

d. On November 25, 2018, the directors of the Company agreed to accelerate the vesting of restricted shares of Dr. Jiang as the detail set in note 25 (a). As of the date of this report, remaining unvested share of 458,335 have been fully vested and released.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to September 30, 2018.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the two years ended December 31, 2017 and the nine months ended September 30, 2018 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, 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 information 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 STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed Hong Kong public offering and international offering of the shares of the Company (the "Global Offering") on the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2018 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share as at September 30, 2018	
	RMB'000 (note 1)	*RMB'000 (note 2)*	*RMB'000 (note 3)*	*RMB (note 3)*	*HK$ (note 4)*
Based on an offer price of HK$11.1 per Share	–	1,643,132	1,643,132	4.63	5.41
Based on an offer price of HK$12.8 per Share	–	1,902,695	1,902,695	5.36	6.27

Notes:

1. The audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of September 30, 2018 of approximately RMB1,082,261,000 less intangible assets attributable to owners of the Company of RMB799,000 and net tangible assets attributable to preferred shareholders as of September 30, 2018 of approximately RMB1,081,462,000 due to their liquidation preference.

2. The estimated net proceeds from the Global Offering are based on 186,396,000 Shares at the Global Offering of HK$11.1 (equivalent to RMB9.49) and HK$12.8 (equivalent to RMB10.95) per offer share, being the low-end and high-end of the stated offer price range, respectively, after deduction of the estimated underwriting fees and commissions and other related expenses expected to be paid/payable by the Group (excluding listing expenses charged to profit or loss prior to September 30, 2018) and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Incentivization Plan or the Post-IPO ESOP; or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company; or (iv) the conversion of the Preferred Shares.

   For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.8551, which was the exchange rate prevailing on February 1, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018, which represents the aggregate of the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 as detailed in note 1 and the estimated net proceeds from the Global Offering, has not been further adjusted the effect of the liquidation preference of the Preferred Shares, which will reduce the amount of unaudited pro forma net tangible assets of the Group attributable to ordinary shareholders of the Company, if the Preferred Shares have not been converted into ordinary shares of the Company.

   The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share is arrived at on the basis that 354,855,724 Shares were in issue assuming that the Global Offering and the Capitalization Issue had been completed on September 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option; or (ii) which may be issued under Pre-IPO Incentivization Plan or the Post-IPO ESOP; or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company; or (iv) the conversion of the Preferred Shares; or (v) the vesting of any unvested restricted shares or (vi) which may be issued upon vesting of the restricted shares units.

4. For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.8551, which was the exchange rate prevailing on February 1, 2019 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to September 30, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as shown on page II-1 have not been adjusted to illustrative the effect of repurchase of 37,500 Preferred Shares on November 9, 2018, the conversion of Preferred Shares into ordinary shares and the acceleration of the vesting of 458,335 restricted shares on November 25, 2018 (collectively the "Subsequent Transactions").

The mandatory conversion of Preferred Shares upon completion of IPO would then result in the inclusion of the net tangible assets attributable to preferred shareholders as of September 30, 2018 of approximately RMB1,081,462,000 and de-recognition of the conversion feature derivative liabilities at September 30, 2018 by RMB616,743,000. The repurchase of Preferred Shares would result in recognition of the consideration payable of RMB516,000. The combined effect of the conversion of Preferred Share and the repurchase of Preferred Shares would have increased the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 by RMB1,697,689,000. The conversion of Preferred Shares would have also increased the total ordinary shares in issue as assumed in note 3 by 574,813,884 shares (574,963,884 outstanding Preferred Shares as at September 30, 2018, net with 150,000 repurchased shares (after taking into account the effect of the Capitalization Issue)). Further, the acceleration of vesting of the unvested restricted shares would have increased the total shares in issue by 1,833,340 Shares (after taking into account the effect of the Capitalization Issue) and the total shares in issue would have increased to 931,502,948. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 after of all these effects would be as follows:

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at September 30, 2018 after Subsequent Transactions	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share as at September 30, 2018 after the Subsequent Transactions**	
	RMB'000	*RMB*	*HK$ (note 5)*
Based on an offer price of HK$11.1 per Share	3,340,821	3.59	4.19
Based on an offer price of HK$12.8 per Share	3,600,384	3.87	4.52

B. UNAUDITED PRO FORMA ESTIMATED LOSS PER SHARE

The following unaudited pro forma estimated loss per share for the year ended December 31, 2018 has been prepared in accordance with paragraph 4.29(1) of the Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Global Offering, as if it had taken place on January 1, 2018. The unaudited pro forma estimated loss per share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Estimated consolidated loss attributable to ordinary shareholders of our Company for the year ended December 31, 2018[(1)]	no more than RMB470 million
Unaudited pro forma estimated basic and diluted loss per Share for the year ended December 31, 2018[(2)(3)]	no more than RMB1.32

Notes:

(1) The bases on which the above loss estimate has been prepared are summarised in Appendix III to this prospectus.

(2) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated consolidated loss attributable to ordinary shareholders of the Company for the year ended December 31, 2018 and assuming a total number of 354,979,668 Shares, which comprise of a weighted average of 168,583,668 Shares in issue during the year ended December 31, 2018 and 186,396,000 Shares will be issued in the Global Offering and Capitalization Issue had been completed on January 1, 2018 without taking into account of any Shares which (i) may be allotted and issued upon exercise of Over-allotment Options; or (ii) which may be issued under Pre-IPO Incentivization Plan or the Post-IPO ESOP; or (iii) any Shares may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company; or (iv) the conversion of the Preferred Shares; or (v) the vesting of any unvested restricted shares or (vi) which may be issued upon vesting of the restricted share units. The estimated consolidated loss attributable to ordinary shareholders of the Company for the year ended December 31, 2018 has not taken into account any interest income that would have been earned if the proceeds from the Global Offering had been received by the Company on January 1, 2018.

(3) The computation of the unaudited pro forma estimated diluted loss per Share for the year ended December 31, 2018 has not considered the effect of the share options awarded under the share incentive plan, the unvested restricted share units or the conversion of our Preferred Shares into ordinary shares as their inclusion would be anti-dilutive.

C. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the Group's unaudited pro forma financial information of our Group.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CStone Pharmaceuticals

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CStone Pharmaceuticals (the "Company") and its subsidiaries (hereinafter collectively referred to as 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 September 30, 2018, the unaudited pro forma estimated loss per share for the year ended December 31, 2018 and related notes as set out on pages II-1 to II-4 of Appendix II to the prospectus issued by the Company dated February 14, 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-4 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at September 30, 2018 and the Group's estimated loss per share for the year ended December 31, 2018 as if the proposed Global Offering had taken place at September 30, 2018 and January 1, 2018, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended December 31, 2017 and the nine months ended September 30, 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated loss of the Group attributable to ordinary shareholders of the Company for the year ended December 31, 2018, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "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 unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in 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 the event or transaction at September 30, 2018 or January 1, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 14, 2019

Our estimate of the consolidated loss of our Group for the year ended December 31, 2018 is set out in the section headed "Financial Information – Loss Estimate for the Year ended December 31, 2018."

(A) OVERVIEW

Our Directors estimate that, on the bases set out in Part B of this Appendix III and in the absence of unforeseen circumstances, the estimated consolidated loss of our Group for the year ended December 31, 2018 is as follow:

Estimated consolidated loss of our Group for the year ended December 31, 2018 attributable to:

	No more than
	RMB' million
Owners of the Company	
– ordinary shareholders	470
– preferred shareholders	1,280
	1,750
Non-controlling interests	50
	1,800

(B) BASES

Our Directors have prepared the estimated consolidated loss of our Group for the year ended December 31, 2018 based on (i) the audited consolidated results of the Group for the nine months ended September 30, 2018 and (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2018. The loss estimate has been prepared by our Directors on a basis consistent in all material respects with the accounting policies that we normally adopt as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(C) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this prospectus, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to our Group's loss estimate for the year ended December 31, 2018.

Deloitte. 德勤

February 14, 2019

The Board of Directors
CStone Pharmaceuticals
P.O. Box 31119
Grand Pavilion, Hibicus Way
802 West Bay Road
21034, Grand Cayman KY1-1102
Cayman Islands

Goldman Sachs (Asia) L.L.C.
59/F, Cheung Kong Center
2 Queen's Road
Central, Hong Kong

Morgan Stanley Asia Limited
46/F, International Commence Centre
1 Austin Road West
Kowloon, Hong Kong

Dear Sirs,

CStone Pharmaceuticals ("the Company")

Loss Estimate for Year Ended December 31, 2018

We refer to the estimate of the consolidated loss of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2018 ("the Loss Estimate") set forth in the section headed Financial Information in the prospectus of the Company dated February 14, 2019 ("the Prospectus").

Directors' Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the nine months ended September 30, 2018 and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2018.

The Company's directors are solely responsible for the Loss Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "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 Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors of the Company and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III to 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 February 14, 2019, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(D) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for the inclusion in this prospectus, received from Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited, the Joint Sponsors, in relation to our Group's loss estimate for the year ended December 31, 2018.

(in alphabetical order)

Goldman Sachs Morgan Stanley

February 14, 2019

The Board of Directors
CStone Pharmaceuticals
P.O. Box 31119
Grand Pavilion, Hibicus Way
802 West Bay Road
21034, Grand Cayman KY1-1102
Cayman Islands

Dear Sirs,

We refer to the estimate of the consolidated loss of CStone Pharmaceuticals (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2018 (the "Loss Estimate") set forth in the section headed "Financial Information" in the prospectus of the Company dated February 14, 2019 (the "Prospectus").

The Loss Estimate, for which the directors of the Company (the "Directors") are solely responsible, has been prepared by the Directors based on (i) the audited consolidated results of the Group for the nine months ended September 30, 2018 as set out in the Accountants' Report in Appendix I to the Prospectus and (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2018.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus, upon which the Loss Estimate has been made. We have also considered the letter dated February 14, 2019 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu, *Certified Public Accountant*, regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, *Certified Public Accountant*, we are of the opinion that the Loss Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of

Goldman Sachs (Asia) L.L.C.
Hansong Zhu
Managing Director

Morgan Stanley Asia Limited
Kwok Tai Law
Executive Director

SUMMARY OF THE CONSTITUTION OF THE COMPANY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 2, 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1 Memorandum of Association

(a) The Memorandum was adopted on January 30, 2019 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

(c) The Memorandum is available for inspection at the address specified in Appendix VI to this prospectus in the section headed "Documents Available For Inspection" in Appendix VI in this prospectus.

2 Articles of Association

The Articles were adopted on January 30, 2019 and are effective on the Listing Date and include provisions to the following effect:

(a) Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$50,000 divided into 500,000,000 shares of US$0.0001 each.

(b) Directors

(i) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(ii) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(iii) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(iv) Loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(v) Disclosure of interest in contracts with the Company or any of its subsidiaries

Subject to the Companies Law and the Articles, no Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so

interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(aa) a Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his Associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) any contract or arrangement for the giving to the Director or his Associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his Associate(s) has himself/themselves guaranteed or secured in whole or in part;

(iii) any contract or arrangement by a Director or his Associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his Associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(iv) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his Associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(v) any contract or arrangement in which the Director or his Associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(vi) any contract or arrangement concerning any company in which he or his Associate(s) is/are interested directly or indirectly, whether as an officer or an executive or a member of that company, other than a company in which the Director or his associates owns 5% or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through the Company;

(vii) any proposal or arrangement for the benefit of employees of the Company or our subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his Associate(s) and employees of the Company or of any of our subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, Associate(s) of Directors and employees of the Company or any of our subsidiaries and does not give the Director or his Associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(viii) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or our subsidiaries under which the Director or his Associate(s) may benefit; and

(ix) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his Associate(s), officer or employee pursuant to these Articles.

(bb) a company shall be deemed to be a company in which a Director and/or his associate(s) owns five per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.

(cc) Where a company in which a Director and/or his associate(s) holds five per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

(vi) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or 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 in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(vii) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by special resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his stead. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

A Director need not hold any qualification shares. No Director shall be required to vacate office or be ineligible for re-election or re-appointment as Director and no person shall be ineligible for appointment as a Director by reason only of his having attained any particular age.

The office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(bb) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(cc) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles;

(ff) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or if he shall be removed from office by a special resolution of the members of the Company under the Articles;

(gg) at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(viii) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(ix) Register of Directors and Officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles may be made except by special resolution.

(d) Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person(or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(ii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine 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, much include the words "restricted voting" or "limited voting;

(iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(iv) sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

(f) Special resolution – majority required

A "special resolution" is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

In contrast, an "ordinary resolution" is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or proxy shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least five members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or

(iii) any member or members of the Company present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or

(iv) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

if required by the Listing Rules, by any Director or Directors who, individually, or collectively, hold proxies in respect of shares representing five per cent or more of the total voting rights at such meeting.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

(h) Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

(i) Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law. The Board shall cause books of account to be retained for a minimum of five years from the date they are prepared.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with

respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(j) Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(cc) the election of Directors whether by rotation or in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(gg) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(k) Transfer of Shares

Any member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Directors may, in their absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(i) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(ii) the instrument of transfer is in respect of only one class of shares;

(iii) the instrument of transfer is properly stamped (in circumstances where stamping is required); and

(iv) a fee of such maximum as the Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Exchange's website or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

(l) Power of the Company to purchase its own Shares

Subject to the Companies Law, or any other law and subject to the rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire all or any of its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and provided always that any such purchase or other acquisition shall only be made in accordance with any relevant code, rules or regulations issued by the Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

(m) Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

(n) Dividends and other methods of distributions

Subject to the Companies Law and Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Unless otherwise directed by the Board, any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name

stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(p) Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum or any instalment payable in respect of a call shall not be paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board thinks fit.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

(q) Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of members of any class of shares of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and where a corporation is so represented, it shall be treated as being present at any meeting in person.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedure on liquidation

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

(u) Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants. A subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 Cayman Islands Company Law and Taxation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 2, 2015 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside of the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law;

(iv) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorize the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(d) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of association, issue redeemable shares and, purchase its own shares or vary the rights attaching to any shares to provide that such shares are redeemable, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company, out of the share premium account or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. If the articles of association do not authorize the manner of purchase, the directors of a company may determine the manner or any of the terms of a redemption or purchase, if so authorized to do so in the company's articles of association or pursuant to a shareholder resolution. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed by a company shall not be treated as cancelled but shall be classified as treasury shares if a) the memorandum and articles of association of the company do not prohibit it from holding

treasury shares, b) the relevant provisions of the memorandum and articles of association (if any) are complied with and c) if the company is authorized in accordance with its memorandum and articles of association or by a resolution of directors of the company to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. The Companies Law sets out detailed provisions as to exercise of rights attached to treasury shares and treatment of any consideration received by a company for such shares.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(e) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions and shall cause all books of account to be retained for a minimum period of 5 years from the date on which they are prepared.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received is entitled to receive from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(k) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands., as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available, at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. The liquidator shall apply to the Court for an order that the liquidation continues under the supervision of the Court unless, within twenty-eight days of the commencement of the liquidation, the directors have signed a declaration of solvency in respect of the Company.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least twenty-one days notice which shall be published in the Cayman Islands and the liquidator shall convene a general meeting of the company at the end of the first year from the commencement of the winding up and at the end of each subsequent year and such meetings shall be held within three months of each anniversary.

(p) Mergers

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by (a) a special resolution of the shareholders and (b) such other authorization, if any, as may be specified in such constituent company's articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

(q) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially deter-mined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer, A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. General

Travers Thorp Alberga, our Company's legal advisors on Cayman Islands law, have sent to our Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on December 2, 2015. Our registered office address is at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. As our Company is incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands, the Articles and the Memorandum. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix IV in this prospectus.

Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on December 13, 2018. Our corporate headquarters and principal place of business in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. Ms. Yeung Ching Man, has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong. The address of service of process is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

As the date of this prospectus, our Company's head office was located at 1000 Zhangheng Road, Building 25, Pudong New District, Shanghai, 201203, the PRC.

2. Changes in our share capital of our Company

As at December 2, 2015, being the date of incorporation of the Company, our authorized share capital was US$50,000, divided into 500,000,000 Shares.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

(a) on April 11, 2018, our Company issued 1,000,000 ordinary Shares to Dr. Frank Ningjun Jiang, our CEO and Chairman of our Board;

(b) on May 8, 2018, our Company issued 45,908,806 Series B Preferred Shares to then Series B Preferred Shareholders;

(c) on August 22, 2018, our Company repurchased from Zhengze Yuanshi and cancelled 10,000,000 Series A-1 Preferred Shares and issued an aggregate of 7,945,757 Series A-3 Preferred Shares to affiliates of Zhengze Yuanshi, namely Oriza Seed Fund I L.P. and Hikeo Biotech L.P., and 24,554,243 Series A-4 Preferred Shares to Zhengze Yuanshi;

(d) on August 28, 2018, our Company issued an aggregate of 1,573,266 ordinary Shares to various grantees pursuant to their options exercised under the Pre-IPO Incentivization Plan;

(e) on September 25, 2018, our Company issued an aggregate of 332,165 Series B Preferred Shares to Golden & Longevity Portfolios L.P.;

(f) on November 8, 2018, our Company repurchased from Dr. Fay Xing and cancelled an aggregate of 37,500 Series A-2 Preferred Shares;

(g) throughout December 28, 2018 to January 4, 2019, our Company issued an aggregate of 5,038,220 ordinary Shares to various grantees pursuant to their options exercised under the Pre-IPO Incentivization Plan; and

(h) on January 31, 2019, our Company issued 9,672,192 Shares to CStone Incentivization Limited to hold these Shares on trust for the grantees under the Share Incentivization Schemes.

For details of our Company's authorized and issued share capital, and consideration relating to the allotment of the Series A Preferred Shares and Series B Preferred Shares above, please refer to the sections headed "Share Capital – Authorized and Issued Share Capital", and "History, Development and Corporate Structure – Major Corporate Development and Shareholding Changes of Our Group" in this prospectus.

Save as disclosed above, there has been no alternation in our share capital within two years immediately preceding the date of this prospectus.

3. Changes in share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 16 to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share capital of our subsidiary during the two years immediately preceding the date of this prospectus:

On June 20, 2018, the registered capital of CStone Suzhou increased from US$19,897,727 to US$23,761,363.

On March 2, 2018, Chuang Shi (Beijing) Medical Technology Co., Ltd. was established under the laws of the PRC and with a registered capital of RMB1.2 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Resolutions of the Shareholders of our Company dated January 30, 2019

Written resolutions of our Shareholders were passed on January 30, 2019, pursuant to which, among others:

(a) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this prospectus and such listing and permission not subsequently having been revoked prior to the

commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the Underwriting Agreements having been duly executed by the Underwriters and our Company:

(1) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorised to determine the Offer Price for, and to allot and issue the Offer Shares;

(2) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the Share Incentivization Schemes or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(3) a general unconditional mandate (the "**Repurchase Mandate**") was given to our 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, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(4) the general unconditional mandate as mentioned in paragraph (2) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors

pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (3) above up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option; and

(5) the acknowledgement by all the Preferred Shareholders of the agreed conversion number as applicable before the Capitalization Issue and the resolution not to exercise the right to further adjustment of conversion ratio; and

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (a)(2), (a)(3) and (a)(4) above will remain in effect until whichever is the earliest of:

- 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 to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own 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 (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on January 30, 2019, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase 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 from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Islands Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Islands Companies Law.

(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 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 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 company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of our Company resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive 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 publication of an announcement of a listed company's 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), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities 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, 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 repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing 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 a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 984,051,532 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, but assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 98,405,153 Shares being repurchased by our Company during the period prior to the earliest of:

- The conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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 and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus which are or may be material:

(a) the amended and restated shareholders agreement dated May 8, 2018 entered into between the Company, CStone Pharmaceuticals Limited, WuXi Healthcare Ventures II, L.P., Frank Ningjun Jiang, Suzhou Industrial Park Zhengze Yuanshi Venture Capital L.P. (苏州工业园区正则原石创业投资企业(有限合伙)), Graceful Beauty Limited, Fay Xing, Tetrad Ventures Pte Ltd, Kaitai International Funds SPC for and on behalf of Taikang Kaitai Special Opportunity Fund III Segregated Portfolio, Taikang Kaitai (Cayman) Special Opportunity I, 6 Dimensions Capital, L.P., 6 Dimensions Affiliates Fund, L.P., CJS Medical Investment Limited, SCC Growth IV Holdco G, Ltd., YF IV Checkpoint Limited, HH CST Holdings Limited, ARCH Venture Fund IX, L.P., ARCH Venture Fund IX Overage, L.P., Pure Progress International Limited, Hikeo Biotech L.P., Terra Magnum CST LLC, 3W Partners Fund II, L.P., Huifu Investments Limited and King Star Med LP, as further described in the section headed "History, Development and Corporate Structure – Pre-IPO Investments" in this prospectus;

(b) the cornerstone investment agreement dated February 9, 2019 entered into between the Company, Tetrad Ventures Pte Ltd, GIC Private Limited, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(c) the cornerstone investment agreement dated February 9, 2019 entered into between the Company, Boyu Capital Opportunities Master Fund, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(d) the cornerstone investment agreement dated February 9, 2019 entered into between the Company, Ishana Capital Limited, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

(e) the cornerstone investment agreement dated February 9, 2019 entered into between the Company, Indus Asia Pacific Master Fund, Ltd, Indus China Master Fund, Ltd, Indus Select Master Fund, Ltd, Cambridge University Endowment Fund, Vitruvius Sicav – Asian Equity, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus; and

(f) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, the Company as the applicant had applied for the ownership of the following material registered trademarks in PRC and Hong Kong, details of which are as follows:

No.	Trademark
1	
2	基石药业
3	基石藥業
4	CSTONE PHARMACEUTICALS
5	CSTONE PHARMACEUTICALS

(b) Domain name

As at the Latest Practicable Date, the following was the key domain name registration of our Group:

http://www.cstonepharma.com/

(c) Patents Applications

For a discussion of the details of the material filed patent applications by the Company in connection with our clinical and pre-clinical products, please refer to the section headed "Business – Summary of patents and patent applications of our product candidates" in this prospectus.

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' Service Contracts and Appointment Letters

(a) Executive Directors and Non-executive Directors

The Company does not have service contracts with any of its Directors and during the Track Record Period, no remunerations have been paid to Directors in the capacity of them as Directors in the Company.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with our Company effective upon the date of this prospectus. The initial term for their appointment letters shall be between two to three years from the date of this prospectus (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of US$40,000.

Details of the Company's remuneration policy is described in section headed "Directors and Senior Management – Remuneration of Directors and Senior Management – Directors' Remuneration" in this prospectus.

2. Remuneration of Directors

(i) The total amount of fees, salaries and other allowances, performance related bonuses, retirement benefit scheme contributions and share-based payment expense we paid to our CEO and Chairman of our Board, namely, Dr. Frank Ningjun Jiang, in his capacity as the CEO of our Company, were approximately RMB8.33 million, RMB15.40 million and RMB116.58 million for the two years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, respectively.

(ii) It is estimated that emoluments of approximately RMB68.36 million in aggregate will be paid to Dr. Jiang, CEO and Chairman of our Board, in his capacity as our CEO in respect of the financial year ending December 31, 2018 under arrangements in force at the date of this prospectus.

(iii) Under the arrangements, currently in force, as of the Latest Practicable Date, none of our Directors had a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of Interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering and the Capitalization Issue

Immediately following completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no additional Shares are issued under the Share Incentivization Schemes), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded 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 Companies contained in the Listing Rules, will be as follows:

Name of director or chief executive	Nature of interest	Number and class of securities immediately after Completion of the Global Offering and the Capitalization Issue	Approximate percentage of interest in our Company immediately after Completion of the Global Offering and the Capitalization Issue[1]
Dr. Frank Ningjun Jiang, CEO and Chairman of our Board (Dr. Jiang)	Beneficial Owner	34,923,824 Shares[2]	3.55%
	Trustor of a trust	6,760,000 Shares[3]	0.69%

Notes:

(1) The calculation is based on the total number of 984,051,532 Shares in issue immediately after completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no further Shares are issued pursuant to the Share Incentivization Schemes).

(2) Includes (1) 9,326,664 Shares beneficially held by Dr. Jiang, (2) Dr. Jiang's entitlement to receive up to 8,633,336 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of those options, and (3) Dr. Jiang's entitlement to restricted share units equivalent to 16,963,824 Shares, subject to vesting conditions.

(3) These Shares are held by JIANG IRREVOCABLE GIFTING TRUST FBO: YANNI XIAO, Dated November 21, 2018, of which Dr. Jiang is the trustor. Under the SFO, Dr. Jiang is deemed to be interested in these Shares.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering and the Capitalization Issue and taking no account of any additional Shares which may be issued pursuant to the Share Incentivization Schemes, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and the Capitalization Issue and taking no account of any additional Shares which may be issued pursuant to the Share Incentivization Schemes, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in this prospectus:

(i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(ii) none of the Directors or the experts named in the section headed "– Other Information – Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;

(iv) none of the 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 the Group taken as a whole;

(v) taking no account of any Shares which may be taken up under the Global Offering, the Capitalization Issue and allotted and issued pursuant to the Share Incentivization

Schemes, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering and the Capitalization Issue, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), 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 the Group; and

(vi) save as disclosed in the section headed "Directors and Senior Management" in this prospectus, none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

D. SHARE INCENTIVE SCHEMES

1. Pre-IPO Incentivization Plan (the "Plan")

The following is a summary of the principal terms of the Pre-IPO Incentivization Plan approved and adopted by the resolutions in writing by the Board passed on July 7, 2017 and as amended and restated on August 3, 2018 and as supplemented by the resolutions in writing by the Board passed on August 14, 2018.

(a) Summary of terms

Duration. Subject to the termination provisions under the Pre-IPO Incentivization Plan, the plan shall be valid and effective for the period of ten years commencing on the adoption date after which period no further Awards will be granted, but the provisions thereof shall in all other respects remain in full force and effect and any eligible employees, officers, directors, contractor, advisors and consultants of our Group (the "**Eligible Employee**") who accepted an offer in accordance with the terms (each a "**Grantee**") may exercise the options in accordance with the terms upon which the options are granted and the RSUs (defined below) will be settled in accordance with the terms upon which the RSUs are granted.

Administration. The Pre-IPO Incentivization Plan shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties thereto. The Board shall have the right (i) to interpret and construe the provisions of the Pre-IPO Incentivization Plan, (ii) to determine the persons who will be granted awards of options and/or

RSUs under the plan, the number and subscription price and other terms (e.g., any performance conditions upon which the exercise of an option or the settlement of the RSUs is conditioned) of awards granted thereto, (iii) to make such appropriate and equitable adjustments to the terms of awards granted under the plan as it deems necessary, (iv) to amend, add to and/or delete any of the provisions of the plan, provided that no such amendment, addition or deletion shall adversely affect the rights of any Grantee in respect of any options or RSUs granted to such Grantee, (v) to adopt such procedures and rules as are necessary or appropriate to permit participation in the plan by Eligible Employees who are foreign nationals or employed outside of Hong Kong or the PRC (provided that Board approval will not be necessary for immaterial modifications to the plan or any Offer Letter that are required for compliance with the laws of the relevant foreign jurisdiction); and (vi) to make such other decisions or determinations as it shall deem appropriate in the administration of the Pre-IPO Incentivization Plan.

Offer Letter. Any offer letter regarding the offer of an award shall be made by the Company to an Eligible Employee in such form as the Board may from time to time determine and approve to require the Eligible Employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the plan.

Types of awards. The Pre-IPO Incentivization Plan provides for awards of options and RSUs.

(i) **Options**. On and subject to the Pre-IPO Incentivization Plan, the Board shall be entitled to make an offer to any Eligible Employee as the Board may in its absolute discretion select and set out in the relevant offer letter for such employee to take up options in respect of such number of Shares as the Board may determine at the price per Share at which a Grantee may subscribe for the Shares on the exercise of an option. A Grantee is not required to pay for the grant of any option. Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine. An option may be exercised in whole or in part by the Grantee (or his or her personal representatives) in a prescribed manner and by giving notice in writing to the Company in the specified form of the notice attached to the plan, or such other form as may be adopted by the Board from time to time, stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(ii) **RSUs**. Each offer letter for RSUs will be in such form and will contain such terms and conditions as the Board deems appropriate (each a "**RSU**"). A RSU may be settled by the delivery of Shares, their cash equivalent, any combination thereof or in any other form of consideration according to a vesting schedule, as determined by the Board and contained in the relevant offer letter.

Subscription price and vesting schedule. The subscription price shall be approved by the Board and shall be set out in the relevant offer letter issued by the Company to a Grantee. Except as provided in an offer letter, any option shall become exercisable upon vesting. Unless otherwise approved by the Board and set forth in an offer letter, 25% of the shares will vest

on the first anniversary of the vesting commencement date and the remaining shares will vest in equal monthly investments over the following 36 months, provided that the Grantee continues as an Eligible Employee as of each such vesting date.

Rights are personal to the grantee. Unless otherwise approved by the Board, an option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do, except otherwise permitted under the plan.

Maximum number of Shares.

(i) The maximum number of Shares in respect of which awards may be granted under the Pre-IPO Incentivization Plan shall not in aggregate exceed 130,831,252 Shares (taking into account the Capitalization Issue). As at the Latest Practicable Date and taking into effect the Capitalization Issue, an aggregate of 58,841,648 Shares have been issued pursuant to share awards already vested or reserved for further vesting of awards under the Pre-IPO Incentivization Plan. Accordingly, the maximum number of Shares that may be issued under the Pre-IPO Incentivization Plan in the future shall not exceed 71,989,604 Shares.

(ii) No employee of the Group shall be granted an award which, if exercised or settled in full, would result in such employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the awards previously granted to him which have been exercised, and, issuable or settled under all the awards previously granted to him which are for the time being subsisting and unexercised, would exceed ten percent (10%) of the aggregate number of Shares for the time being issued and issuable under the plan.

(iii) The maximum number of Shares referred to in paragraphs (i) and (ii) will be adjusted, in such manner as an independent financial adviser or the auditor of the Company shall confirm to the Board in writing, in the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever.

Right of Repurchase. Unless otherwise approved by the Board, prior to a Listing, in the event of a grantee's termination of his or her employment by or services to the Company or any of its Subsidiaries, any Share issued by the Company under the option as a result of the exercise of an option of such grantee, any vested option held by such grantee or any Shares issued upon settlement of the RSUs shall be subject to a right, but not an obligation, of repurchase by the Company and/or its assignee(s) (the "**Right of Repurchase**"), at the price equal to the fair market value of the Shares on the date the Company exercises its Right of Repurchase, minus the per share subscription price in the case of an unexercised, vested option. The Right of Repurchase shall terminate upon the earlier of a listing or such other event and/or conditions as the Board may determine in its sole discretion.

Corporate Transaction. The following provisions will apply to awards in the event of a Corporate Transaction (including a Change in Control) unless otherwise provided in the offer letter or any other written agreement between the Company or any Grantee or unless otherwise expressly provided by the Board at the time of grant of the award. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving entity or acquiring company (or the surviving or acquiring company's parent company) to assume or continue the award or to substitute a similar award for the award (including, but not limited to, an option to acquire the same consideration paid to the shareholders of the Company pursuant to the Corporate Transaction);

(ii) accelerate the vesting, in whole or in part, of the award (and, if applicable, the time at which the option may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Corporate Transaction), with any such option terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction; provided, however, that the Board may require Grantees to complete and deliver to the Company a notice of exercise before the effective date of a Corporate Transaction, which exercise is contingent upon the effectiveness of such Corporate Transaction;

(iii) cancel or arrange for the cancellation of the award, to the extent not vested prior to the effective time of the Corporate Transaction, and pay such cash consideration (or no consideration) as the Board, in its sole discretion, may consider appropriate; and

(iv) make a payment for each vested award, in such form as may be determined by the Board equal to the excess, if any, of (x) the per share amount payable to holders of Shares in connection with the Corporate Transaction, over (y) the exercise price, if any, payable by such holder in connection with such exercise, multiplied by the number of vested Shares under the award. This payment may be $0 if the per share amount payable in respect of a Share in the Corporate Transaction is equal to or less than the Subscription Price. In addition, any escrow, holdback, earnout or similar provisions in the definitive agreement for the Corporate Transaction may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Shares.

For the above purpose, a "Change in Control" means any transaction except for (i) a Listing, (ii) a transaction the primary purpose of which is to raise capital for the Company, or (iii) other transaction effected exclusively for the purpose of changing the domicile of the Company, in which immediately after the consummation of such transaction, the Shareholders immediately prior thereto do not own, directly or indirectly, either (i) outstanding voting securities representing more than 50% of the combined outstanding voting power of the

Company in such transaction, or (ii) more than 50% of the combined outstanding voting power of the parent of our Company in such transaction, in each case in substantially the same proportions as their ownership immediately prior to such transaction.

For the above purpose, a "Corporate Transaction" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events: (i) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries; (ii) a sale or other disposition of at least 50% of the outstanding securities of the Company; (iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or (iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the Shares outstanding immediately preceding the such transaction are converted or exchanged by virtue of the transaction into other property, whether in the form of securities, cash or otherwise.

(b) Outstanding options and RSUs

As at the Latest Practical Date, the aggregate number of underlying Shares pursuant to the outstanding options granted under the Pre-IPO Incentivization Plan is 37,676,840 Shares, representing approximately 3.83% of the total issued Shares immediately following the completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes. As at the Latest Practicable Date, we have conditionally granted options to 157 Grantees under the Pre-IPO Incentivization Plan. As at the Latest Practicable Date, all the outstanding options under the Pre-IPO Incentivization Plan were granted between July 1, 2016 and February 12, 2019 (both days inclusive) and the Company will not grant further options under the Pre-IPO Incentivization Plan after the Global Offering and the Capitalization Issue. The exercise price of all the options granted under the Pre-IPO Incentivization Plan is between US$0.025 and US$0.5925 per share, after taking into account the effect of the Capitalization Issue. No awards in the form of options under the Pre-IPO Incentivization Plan shall be granted after the Listing Date.

As at the Latest Practical Date, the aggregate number of underlying Shares pursuant to the outstanding RSUs granted under the Pre-IPO Incentivization Plan is 39,870,164 Shares, representing approximately 4.05% of the total issued Shares immediately following the completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Share Incentivization Schemes.

In addition, the board of the Company has resolved on January 31, 2019 to approve the proposed granting of share awards in the form of options and/or RSUs equivalent to 36,215,436 Shares (taking into effect the Capitalization Issue) to our CEO, other members of our senior management and employees, with the relevant share awards grant letters to be entered into at a time that the Company decides as appropriate. None of the option grantees described above will be Directors, senior management or connected persons of the Company. Any such awards in the form of options under the Pre-IPO Incentivization Plan will be granted after the date of the Prospectus and before Listing Date.

(c) General

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the Pre-IPO Incentivization Plan.

(d) Directors, senior management, other management and connected persons of our Group

Our Director and senior management, who are considered as connected persons of our Group and other management, are granted options under the Pre-IPO Incentivization Plan to subscribe for an aggregate of 19,366,740 outstanding Shares, representing approximately 1.97% of the issued share capital of our Company upon completion of the Global Offering, the Capitalization Issue and assuming the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued pursuant to the Share Incentivization Schemes. The proposal to grant the options under the Pre-IPO Incentivization Plan to the grantees as set out below has been approved by the Board.

Below is a list of our Directors and senior management of our Group who are Grantees of the options under the Pre-IPO Incentivization Plan. No option under the Pre-IPO Incentivization Plan has been granted to other connected persons of the Company.

Name of grantee	Position	Address	Exercise price (after taking into account the effect of the Capitalization Issue) *(US$/share)*	Grant date, vesting commencement date and duration of option	Number of outstanding Shares under the options granted taking into account the Capitalization Issue[3]	Approximate percentage of issued Shares immediately after completion of the Global Offering and the Capitalization Issue[1]
Director						
Dr. Frank Ningjun Jiang	Executive Director, CEO and Chairman of our Board	4288 Long Dong Ave., #221 Pudong District, Shanghai, China	0.025	July 1, 2016[2]	2,883,336	0.29%
			0.05	July 1, 2016[2]	5,750,000	0.58%
Senior Management						
Dr. Jianxin Yang	Senior Vice President, Chief Medical Officer	Room 1104, Building 07, Jinghui Apartment, No. 9 Jinshang Road, Suzhou Industrial Park, Suzhou, China	0.025	December 5 2016[2]	1,000,000	0.10%
			0.05	December 5 2016[2]	2,000,000	0.20%
Dr. Bing Yuan	Senior Vice President, Chief Business Officer	Room 401, No. 6, Lane 39, Yinxiao Road, Pudong District, Shanghai, China	0.025	November 28 2016[2]	798,484	0.08%
			0.05	November 28 2016[2]	1,597,348	0.16%

Name of grantee	Position	Address	Exercise price (after taking into account the effect of the Capitalization Issue) *(US$/share)*	Grant date, vesting commencement date and duration of option	Number of outstanding Shares under the options granted taking into account the Capitalization Issue[3]	Approximate percentage of issued Shares immediately after completion of the Global Offering and the Capitalization Issue[1]
Dr. Xinzhong Wang	Senior Vice President, Chief Scientific Officer	Room 1003, No. 9, Lane 180, Liangxiu Road, Pudong District, Shanghai, China	0.025	June 5 2017[2]	833,332	0.08%
			0.05	June 5 2017[2]	1,666,668	0.17%
Dr. Jingrong Li	Senior Vice President	42 Mallard Place, #603 Secaucus, NJ 07094, USA	0.025	December 20 2016[2]	133,332	0.01%
			0.05	December 20 2016[2]	266,664	0.03%
			0.1425	April 1 2018[2]	400,000	0.04%
			0.5925	December 20 2016[2]	418,788	0.04%
Other Management						
Wenyu Guo (郭文玉)	Vice President	Room 1301, No. 320, Zhongtan Lu 100, Shanghai	0.025	March 16, 2018	400,000	0.04%
			0.05	March 16, 2018	800,000	0.08%
			0.1425	March 14, 2018	418,788	0.04%
Total					19,366,740	1.97%

Notes:

(1) These percentages are calculated on the basis of 984,051,532 Shares in issue immediately following completion of the Global Offering, the Capitalization Issue and assuming that the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued pursuant to the Share Incentivization Schemes.

(2) 25% of the Shares vest on the first anniversary of the vesting commencement Date, and the remaining shall vest monthly in equal installments over the following 36 months.

(3) The respective offer letter sets out the option period of 10 years for each corresponding grantee.

Below is a list of individuals, other than our Directors, senior management, certain other management and connected persons of our Group, who are also Grantees of the option under the Pre-IPO Incentivization Plan:

Exercise Price (after taking into account the effect of the Capitalization Issue) *(US$/share)*	**Grant date, vesting commencement date and duration of option**	**Number of outstanding Shares under the options granted taking into account the Capitalization Issue**	**Approximate percentage of issued Shares immediately after completion of the Global Offering and the Capitalization Issue[(1)]**
0.025	between August 22, 2016 and May 10, 2018	2,627,004	0.27%
0.050	between September 8, 2016 and August 20, 2018	5,319,996	0.54%
0.1425	between July 11, 2016 and February 12, 2019	9,258,352	0.94%
0.5925	between September 12, 2016 and January 31, 2019	1,103,748	0.11%

Notes:

(1) These percentages are calculated on the basis of 984,051,532 Shares in issue immediately following completion of the Global Offering, the Capitalization Issue and assuming that the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued upon the exercise of the Share Incentivization Schemes.

(2) 25% of the Shares vest on the first anniversary of the Vesting Commencement Date, and the remaining shall vest monthly in equal installments over the following 36 months.

(3) The respective offer letter sets out the option period of 10 years for each corresponding grantee.

Assuming full exercise of options under the Pre-IPO Incentivization Plan, the shareholding of our Shareholders immediately following the Global Offering will be diluted by approximately 3.83% if calculated on the basis of 984,051,532 Shares in issue immediately following completion of the Global Offering, the Capitalization Issue and assuming that the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued pursuant to the Share Incentivization Schemes. The consequent impact on the earnings per ordinary share for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018 is nil, nil and nil respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

Waiver and Exemption

Our Company has applied for and has been granted a waiver from (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. Please refer to the section headed "Waiver from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance" in this prospectus for details.

Below is a list of grantees of the RSUs under the Pre-IPO Incentivization Plan:

Name of Grantee	Grant date, vesting commencement date and duration of RSUs	Number of outstanding Shares underlying RSUs granted taking into account the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Global Offering and the Capitalization Issue[1]
Director			
Dr. Frank Ningjun Jiang	Between July 1, 2016 and December 6, 2018[3]	16,963,824	1.72%
Senior Management (consisting of Dr. Jianxin Yang, Richard Yeh, Dr. Bing Yuan, Dr. Xinzhong Wang, Dr. Ngai Chiu Archie Tse and Dr. Jingrong Li)		22,906,340[2]	2.33%
Total		39,870,164	4.05%

Notes:

(1) These percentages are calculated on the basis of 984,051,532 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued upon the exercise of the Share Incentivization Schemes.

(2) This figure underlines the aggregate number of outstanding Shares underlying the RSUs granted to the senior management of our Company.

(3) 25% of the Shares vest on the first anniversary of the Vesting Commencement Date, and the remaining shall vest monthly in equal installments over the following 36 months, subject to accelerated vesting under certain circumstances as set forth in such individual's employment agreement.

The following table summarizes the number of underlying Shares of the share options and RSUs granted under the Pre-IPO Incentivization Plan:

	Number of underlying Shares taking into account the Capitalization Issue
Outstanding Share options granted to the Directors, member of the senior management and other management	19,366,740
Outstanding Share options granted to other grantees other than the Directors, member of the senior management and other management	18,310,100
RSUs granted to the Directors and member of the senior management	39,870,164
Total	77,547,004

Note: The above 77,547,004 Shares for the outstanding awards under the Pre-IPO Incentivization Plan are in excess to the 71,989,604 Shares that could be issued under the Pre-IPO Incentivization Plan. The difference of 5,557,400 Shares will be satisfied by existing Share held by CStone Incentivization Limited, which holds an aggregate of 38,688,768 Shares (taking into account the Capitalization Issue). Shares held by CStone Incentivization Limited are used to generally satisfy the exercise of share awards issued and to be issued under the Pre-IPO Incentivization Plan.

2. Post-IPO ESOP

The following is a summary of the principal terms of the Post-IPO ESOP conditionally adopted by the resolutions in writing of all our Shareholders passed on January 30, 2019.

(a) Purpose

The purpose of the Post-IPO ESOP is to attract and retain employees of the Group and to reward our eligible employees, our Directors and other selected participants for their past contribution to the Group. Our Directors consider the Post-IPO ESOP will provide incentives to the employees of the Group to further contribute to the Company and the Group Companies and to align their interests with the best interests of the Company and the Shareholders as a whole. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case-by-case basis as provided in the relevant offer letter, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors in accordance with the applicable laws and regulations, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

(i) any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an employee of the Group eligible to the option under the ESOP Scheme by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules of any applicable stock exchange (including without limitation the Listing Rules) and regulations or accounting or tax rules and regulations.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO ESOP.

(c) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO ESOP and any other share option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of our Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 98,405,153 Shares (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO ESOP and any other

share option scheme of our Group) previously granted under the Post-IPO ESOP and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under the Listing Rules.

(iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, our Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO ESOP and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Grant of options to connected persons

(i) Any grant of options under the Post-IPO ESOP to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

(ii) Where any grant of options to a Substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant from the date of the offer of grant of the option within the offer period as set out in the relevant offer letter issued to by the Company to such participant.

An option may be exercised in accordance with the terms of the Post-IPO ESOP at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO ESOP. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO ESOP for the holding of an option before it can be exercised.

(g) Performance targets

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO ESOP can be exercised.

(h) Subscription price for Shares and consideration for the option

The subscription price per Share under the Post-IPO ESOP will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing), or if the Shares are not so quoted or traded, the fair market value of a Share as determined by the Compensation Committee of the Board.

(i) Ranking of Shares

(i) Shares allotted and issued upon the exercise of an option will be subject to the provisions of the Memorandum and Articles and will rank pari passu with the fully paid Shares in issue as from the date of exercise of the option and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the option, provided always that when the date of exercise of the option falls on a date upon which the register of members of the Company is closed then the exercise of the option shall become effective on the first business day on which the register of members of the Company is re-opened. A Share issued upon the exercise of a granted option shall not carry voting rights until the registration of the Grantee (or such other person as may succeed to the Grantees' title by operation of the applicable laws and in compliance with the terms of the Post-IPO ESOP) as the holder thereof.

(ii) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(j) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to the Company's knowledge until it has announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (b) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the Post-IPO ESOP

The Post-IPO ESOP will remain in force for a maximum period of 10 years commencing on the date on which the Post-IPO ESOP is adopted.

(l) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this Post-IPO ESOP.

(m) Rights on ceasing employment

Subject to the applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the options, if the grantee of an option is Eligible Employee and ceases to be an Eligible Employee for any reason other than death or illness, or for termination for cause before exercising his or her option in full, the unvested option (to the extent not already exercised) will immediately lapse on the date of cessation. The Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested options until later of: (i) 90 days after the date when the options become exercisable as set for sub-paragraph (n) below, or (ii) 30 days after the date of cessation of employment or directorship, or such longer period as the Board may otherwise determine. Any vested option not exercised prior to the expiry of the above-mentioned period shall immediately lapse.

(n) Rights on death or illness

Subject to the applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the options and subject to sub-paragraph (o) below, if an Grantee ceases to be an Eligible Employee by reason of:

the Grantee's death; or

the Grantee's serious illness or injury which, in the opinion of the Board, renders the Grantee concerned unfit to perform the duties of his or her employment and which in the normal course would render the Grantee unfit to continue performing the duties under his or her employment contract with the relevant Group Company or Companies provided such illness or injury is not self-inflicted or as a result of alcohol or drug abuse;

then any unvested option will immediately lapse. The Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested option until the later of: (i) 90 days after the date when the option become exercisable, or (ii) six (6) months after the date of cessation of employment or directorship, or such longer period as the Board may determine. Any vested option not exercised prior to the expiry of the above-mentioned period shall lapse.

(o) Rights on termination for cause

If the Board determines that any Grantee ceasing to be an employee of one or more Group Companies by any of the following reason, (i) any act of grave misconduct or willful default or willful neglect in the discharge of duties of the Grantee with the Group; (ii) without prejudice to the generality of (i) above, being proven to have carried out any fraudulent activity or have fraudulently failed to carry out any activity whether or not in connection with the affairs of the Group; (iii) being convicted of any offence; (iv) being proved to take advantages of such Grantee's position to make interest for him/herself or for others; (v) being proved to appropriate assets of the Group; (vi) serious violation or persistent breach of any terms of the employment agreement, the confidentiality and intellectual property rights assignment agreement, the non-compete and non-solicitation agreement, the anti-bribery agreement or any other agreements entered into by and between such Grantee and any member of the Group; (vii) repeated drunkenness or use of illegal drugs or being addicted to gambling which adversely interferes with or is reasonably expected to adversely interfere with the performance of such Grantee's obligations and duties of employment; and (viii) any other conduct which, as the Board determines in good faith, would justify the termination of his or her Contract, then any option (whether vested or unvested) held by the Grantee shall immediately lapse (unless the Board resolves otherwise in its absolute discretion).

(p) Rights on a reorganization of capital structure and other corporate events

An unexercised option may lapse as provided in the case of a general offer or a corporate transaction as specified as follows:

(i) if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all shareholders of the Company (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person associated with or acting in connect with the offeror), the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them which at the time vested, shareholders of the Company. If such offer becomes or is declared unconditional or such scheme or arrangements is formally proposed to shareholders of the Company, the Grantee shall, notwithstanding any other terms on which his or her option were granted (provided that any performance condition must first be satisfied), be entitled to exercise his or her vested option at any time up until (i) the close of such offer (or any revised offer); or (ii) the record date for entitlements under a scheme of arrangement, as applicable, and any unexercised option will immediately lapse on the close of business on such date; and

(ii) in the event of a corporate transaction (including a change in control) unless otherwise provided in the relevant offer letter or any other written agreement between the Company or any Grantee or unless otherwise expressly provided by the Board at the time of grant of the option, then, notwithstanding any other provision of the Post-IPO ESOP, the Board may take one or more of the following actions with respect to granted option, contingent upon the closing or completion of the corporate transaction:

(1) arrange for the surviving entity or acquiring company (or the surviving or acquiring company's parent company) to assume or continue the option or to substitute a similar award for the option (including, but not limited to, an option to acquire the same consideration paid to the Shareholders pursuant to the corporate transaction);

(2) accelerate the vesting, in whole or in part, of the option (and, if applicable, the time at which the option may be exercised) to a date prior to the effective time of such corporate transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the corporate transaction), with any such option terminating if not exercised (if applicable) at or prior to the effective time of the corporate transaction; provided, however, that the Board may require Grantees to complete and deliver to the Company a notice of exercise before the effective date of a corporate transaction, which exercise is contingent upon the effectiveness of such corporate transaction;

(3) cancel or arrange for the cancellation of the option, to the extent not vested prior to the effective time of the corporate transaction, and pay such cash consideration (or no consideration) as the Board, in its sole discretion, may consider appropriate; and

(4) make a payment for each vested option, in such form as may be determined by the Board equal to the excess, if any, of (x) the per share amount payable to holders of Shares in connection with the corporate transaction, over (y) the exercise price, if any, payable by such holder in connection with such exercise, multiplied by the number of vested Shares under the option. This payment may be $0 if the per share amount payable in respect of a Share in the corporate transaction is equal to or less than the Subscription Price. In addition, any escrow, holdback, earn-out or similar provisions in the definitive agreement for the corporate transaction may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Shares.

The Board need not take the same action or actions with respect to all granted options or portions thereof or with respect to all Grantees in a corporate transaction. The Board may take different actions with respect to the vested and unvested portions of the option.

(q) Rights on winding up

If notice is duly given of a resolution for the voluntary winding-up of the Company, vested option may, subject to the applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the options, be exercised prior to the date of the resolution. The Grantee shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her option, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolutions.

(r) Adjustments to the subscription price

In the event of any alteration in the capital structure of the Company whilst any granted option remains outstanding, whether by way of capitalization of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party or an issue of shares pursuant to, or in connection with, any share option plan, share appreciation rights plan or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any Group Company or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the granted option so far as unexercised or unsettled;

(ii) the Subscription Price of any option;

or any combination thereof, as an independent financial adviser or the auditors shall confirm to the Board in writing, either generally or with regard to any particular Grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value. The capacity of the independent financial adviser or auditors (as the case may be) in this paragraph is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(s) Cancellation of options

Any option granted but not exercised within the prescribed period as specified in the relevant offer letter shall be cancelled. Prior to the expiry of the option period, any cancellation of options granted but not exercised shall require the approval of the Board and the Grantee in question. If the Company cancels options and issues new ones to the same Grantee, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders and granted in compliance with the terms of the Post-IPO ESOP, the Listing Rules and applicable law.

(t) Termination of the Post-IPO ESOP

The Board may at any time terminate the operation of the Post-IPO ESOP and in such event no further options will be offered or granted, but in all other respects the provisions of the Post-IPO ESOP shall remain in full force and effect. All options granted prior to such termination shall continue to be valid and exercisable despite of the termination in accordance with the terms of the Post-IPO ESOP.

(u) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period as stated in the offer letter in respect of such option;

(ii) the date on which the grantee commits a breach of the provision which restricts the Grantee to transfer or assign an option granted under the Post-IPO ESOP or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option except for the transmission of an option on the death of the Grantee to his personal representative(s) in accordance with the terms of this Scheme; or

(iii) subject to sub-paragraphs (m) to (q), on an Grantee ceasing to be an Eligible Employee.

(v) Others

The Post-IPO ESOP shall take effect upon all of the following having been satisfied:

(i) the passing of a resolution by the Board to approve and adopt the Post-IPO ESOP, and to authorise the Board to grant option hereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Post-IPO ESOP;

(ii) the passing of a resolution by the Shareholders in general meeting to approve and adopt the Post-IPO ESOP;

(iii) the Company is satisfied that all legal matters in connection with the issuance and delivery of the Shares under the option have been addressed and resolved (including without limitation the publishing of an announcement on the outcome of the shareholders' meeting for the adoption of the Post-IPO ESOP in accordance with the Listing Rules); and

(iv) the approval of the Listing Committee of the Stock Exchange for the listing of and permission to deal any Shares to be issued and allotted pursuant to the exercise of options under the Post-IPO ESOP.

The Company may require, as a condition to the exercise of a granted option or the delivery of Shares under a granted option, such representations or agreements as the advisors for the Company may consider appropriate to avoid violation of any applicable laws and regulations.

The terms and conditions of the Post-IPO ESOP relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in a general meeting. Any alterations to the terms and conditions of the Post-IPO ESOP which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO ESOP. The amended terms of the Post-IPO ESOP or the options shall comply with the relevant requirements of the Listing Rules and the applicable laws. Any change to the authority of our Directors in relation to any alteration to the terms of the Post-IPO ESOP shall be approved by our Shareholders in a general meeting.

(w) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO ESOP as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(x) Grant of options

As of the date of this prospectus, no options have been granted or agreed to be granted under the Post-IPO ESOP.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-IPO ESOP.

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

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares or conversion of Preferred Shares) and to be issued pursuant to (i) the Global Offering; (ii) the Capitalization Issue; (iii) the Over-Allotment Option; and (iv) the Share Incentivization Schemes.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US$1,000,000 for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A 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 under the SFO
Morgan Stanley Asia Limited	A 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 under the SFO

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Fangda Partners	Qualified PRC Lawyers
Travers Thorp Alberga	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant
ValueLink Management Consultants Limited	Independent Valuer

As of the Latest Practicable Date, none of the experts named above had 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 any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

Our preliminary expenses were approximately HK$1,000, which are payable by our Company.

8. Other Disclaimers

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "Further Information about our Business – Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, 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.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

(e) There is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW** and **GREEN** Application Forms, (ii) the written consents referred to in the section headed "Consents of experts" in Appendix V in this prospectus, and (iii) copies of each of the material contracts referred to in the section headed "Summary of material contracts" of Appendix V in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell, Hong Kong Solicitors, at The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of the prospectus:

(a) our Memorandum and the Articles;

(b) the Cayman Companies Law;

(c) The Accountant's Report, the condensed consolidated financial statements of our Group, and the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II, respectively;

(d) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018;

(e) the letters relating to the loss estimate received from Deloitte Touche Tohmatsu and the Joint Sponsors, the text of which are set out in Appendix III to this prospectus;

(f) the PRC legal opinions issued by Fangda Partners, our PRC legal adviser in respect of certain general corporate matters and property interests of our Group;

(g) the letter of advice prepared by Travers Thorp Alberga, our legal adviser on Cayman Islands law, summarising the constitution of the Company and certain aspects of the Cayman Companies Law referred to in Appendix IV;

(h) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" in this prospectus;

(i) the valuation report issued by ValueLink Management Consultants Limited referred to in Appendix I to this prospectus;

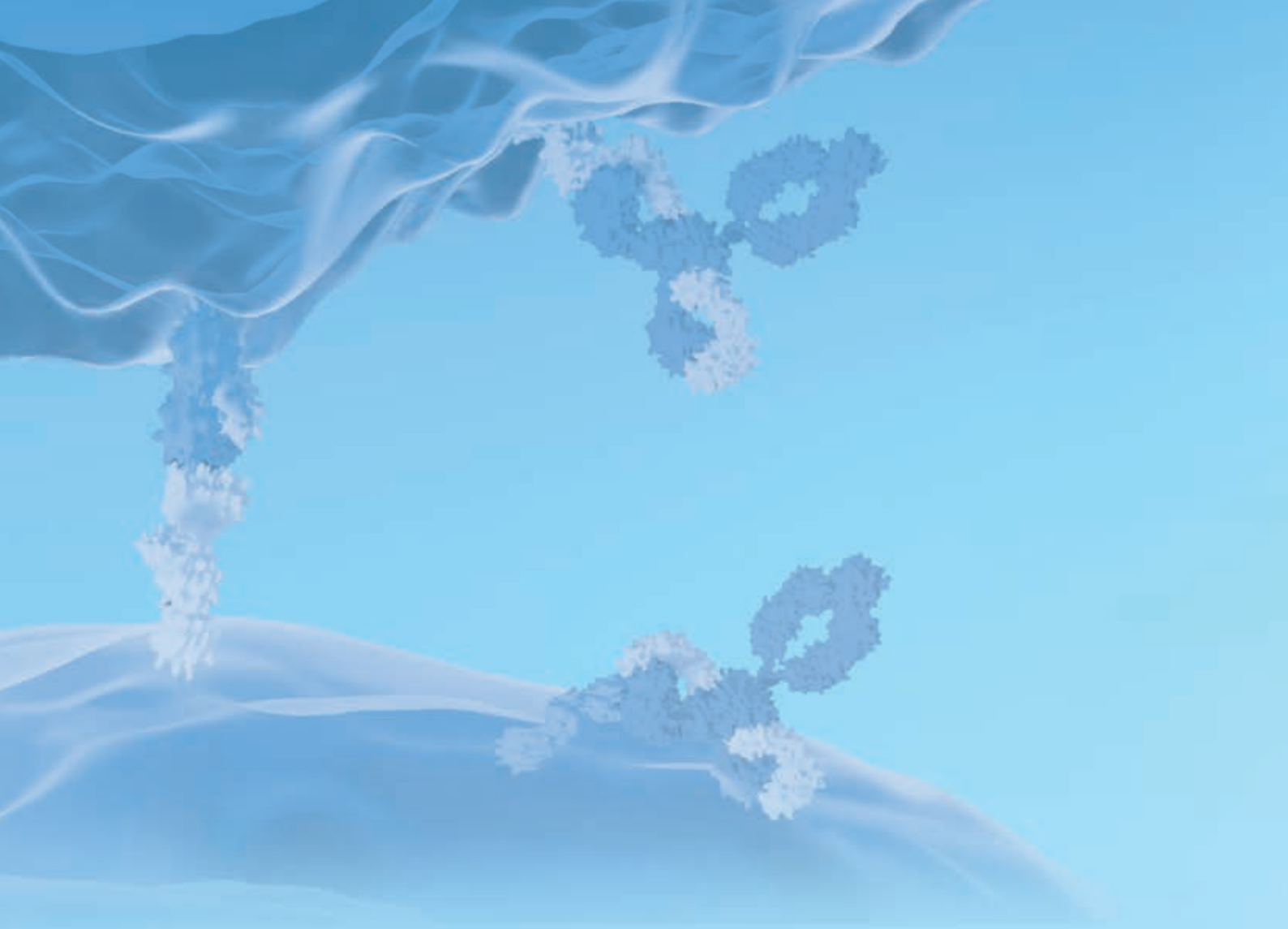
(j) copies of material contracts referred to under the section headed "Appendix V – Statutory and General Information – Further Information about Our Business – Summary of material contracts" in this prospectus;

(k) the letters of appointment of our independent non-executive Directors referred to in "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix V;

(l) the written consents referred to under the paragraph headed "Appendix V – Statutory and General Information – Consents of Experts" in this prospectus;

(m) the terms of the Pre-IPO Incentivization Plan and a list of all the option grantees under the Pre-IPO Share Incentive Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(n) the terms of the Post-IPO ESOP.



基石药业

CSTONE

PHARMACEUTICALS