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Post Hearing Information Pack of

Ascletis Pharma Inc.
歌礼制药有限公司

(Incorporated in the Cayman Islands with limited liability)

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Ascletis Pharma Inc.
歌礼制药有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on [REDACTED] in Hong Kong Dollars and subject to refund)**
Nominal Value	**:**	**US$0.0001 per Share**
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EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

CONTENTS

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CONTENTS

SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read this Document in its entirety before you decided to [REDACTED] in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this Document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED]. ***In particular, we are a biotechnology company seeking to [REDACTED] 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. Your [REDACTED] decision should be made in light of these considerations.*

OUR MISSION

Ascletis' mission is to become a world-class biotechnology company addressing unmet medical needs in three therapeutic areas: anti-viral, cancer and fatty liver disease.

OVERVIEW

We are a fully integrated anti-viral platform focusing on developing and commercializing innovative, best-in-class drugs against HCV, HIV and HBV. Led by a management team with deep expertise and a proven track record, we have developed an integrated anti-viral platform covering the entire value chain from discovery and development to manufacturing and commercialization.

We currently have five anti-viral drug discovery and development programs, including two HCV drug candidates at or near commercial-stage and one HIV drug candidate that has completed a phase IIa clinical trial. In addition, we have a liver cancer drug candidate that has completed phase I and phase I extension clinical trials. Our Core Products, for purposes of this Document, consist of Ganovo®, ravidasvir, ASC09 and ASC06. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have begun to commercialize Ganovo® (danoprevir) in China. Other than danoprevir, to date, we have not commercialized any products, and we cannot guarantee that we will be able to successfully develop and commercialize our drug candidates.

Our product pipeline is set out below:

Field	Target	Indication	Drug Candidate	Pre-clinical	Phase I	Phase II	Phase III	NDA Filed	NDA Approved	Licensed From	Commercial Rights
Anti-viral	NS3/4A	HCV	Danoprevir							Roche	Greater China
	NS5A	HCV	Ravidasvir							Presidio	Greater China
	NS5B	HCV	ASC21							Medivir	Greater China
	Protease	HIV	ASC09							Janssen	PRC and Macau
	Undisclosed	HBV	Lead Identification							In-house	Global
Cancer	VEGF&KSP	Liver Cancer	ASC06							Alnylam	Greater China
Fatty Liver Disease	Undisclosed	NASH	Lead Identification							In-house	Global

At or Near-Commercial Assets

- *Ganovo®*. Ganovo® (戈諾衛®) (danoprevir) is the first HCV cure at commercial-stage developed by a domestic company in China. On June 8, 2018, the NDA approval for danoprevir was granted by the CFDA and we have begun to commercialize Ganovo® (danoprevir) in China. Ganovo® is a direct-acting anti-viral agent ("**DAA**") and NS3/4A protease inhibitor, which, when administered in combination with pegylated interferon and ribavirin ("**Ganovo Regimen**") demonstrated a far higher cure rate of 97% (SVR12), a shorter treatment duration of 12 weeks and a superior safety and tolerability profile, compared with the current primary regimen of pegylated interferon and ribavirin in China, which demonstrates a cure rate of approximately 60% (SVR24) with a treatment duration of 48 to 72 weeks.

- *Ravidasvir*. We believe ravidasvir is a best-in-class, pan-genotypic DAA targeting the HCV NS5A protein. Ravidasvir, when administered in combination with Ganovo® and ribavirin, forms an all-oral, interferon-free HCV therapy ("**RDV/DNV Regimen**"). We expect to file an NDA for ravidasvir in the third quarter of 2018 in China. Our RDV/DNV Regimen is the first all-oral, interferon-free, phase III-completed HCV regimen developed by a domestic company in China. RDV/DNV Regimen offers a 99% cure rate (SVR12), a short treatment duration of 12 weeks, a superior safety profile and a 100% cure rate (SVR12) for patients with baseline NS5A resistance mutations, all of which differentiate this regimen from products of our competitors. With both RDV/DNV Regimen and Ganovo Regimen, we have demonstrated our commitment and ability to provide multiple advanced treatment options to a vast number of HCV patients in China, which differentiate us from our competitors.

Both our Ganovo® and ravidasvir have been designated as Category 1 drugs by the CFDA. A Category 1 drug is a new drug that has never been marketed in any country, and is eligible for Priority Review, or fast track approval, by the CFDA.

Other Pipeline Assets

- *ASC21 — IND-ready HCV NS5B nucleotide polymerase inhibitor*. ASC21 is an NS5B nucleotide polymerase inhibitor that has shown in *in vitro* studies to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. We plan to file an IND application in the third quarter of 2018 in China.

- *ASC09 — Phase IIa-completed HIV drug candidate*. ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. ASC09 has an unprecedented genetic barrier to resistance and has completed phase I and phase IIa clinical trials, which have shown potent anti-viral activity. Studies have shown that ASC09 requires seven mutations before HIV develops resistance to ASC09, indicating ASC09 to have high genetic barrier to resistance compared to other approved protease inhibitors. As of the Latest Practicable Date, only one HIV protease inhibitor, Lopinavir, was approved and marketed in China. Lopinavir has a relatively low genetic barrier to resistance, and therefore has lower efficacy for protease-inhibitor resistant patients. In addition, compared to darunavir, a best-in-class protease inhibitor among approved protease inhibitors globally, virological studies suggest that ASC09 is a promising candidate for 72% clinical isolates resistant to darunavir. These clinical trials have also shown that ASC09 is safe and well-tolerated. These characteristics make ASC09 a promising candidate for HIV-therapy for both treatment-naïve and treatment-experienced patients. We plan to initiate a phase IIb clinical trial in China in 2020.

- *ASC06 — Phase I-completed liver cancer drug candidate*. We aim to develop ASC06 as the first systematically delivered therapeutic drug to treat liver cancer by using RNA interference, a breakthrough approach to drug discovery and development. ASC06 has been designed to silence two genes critical for growth of liver cancer cells — vascular

endothelial growth factor ("**VEGF**") and kinesin spindle protein ("**KSP**"). ASC06 has completed phase I and phase I extension clinical trials, which have shown that 50% of patients who received ≥0.7 mg/kg dose achieved stable disease and one patient achieved a complete response. We expect to initiate a phase II clinical trial in China in 2020.

For more information on the study design, efficacy and safety profiles of our drug candidates, see "Business — Our Product Pipeline."

We also have two in-house pre-clinical programs at discovery stage. One is to develop novel therapies to achieve high functional cures for HBV. The other is to develop breakthrough therapies for non-alcoholic steatohepatitis ("**NASH**"), a type of fatty liver disease, focusing on novel targets.

We have a strong track record and high success rate in developing products. We have three HCV drug candidates against three validated targets, of which we have advanced two to phase III completion. Such high success rate is, we believe, a reflection of the capabilities and efforts of our research and development team. Our research and development team is led by senior scientists from global pharmaceutical companies, such as GSK and Roche. In preparation for the commercialization of Ganovo® and ravidasvir, we have spent two years building a commercialization team of approximately 150 members covering four major functions, including sales, marketing strategy, market access/reimbursement and channel/distribution. In anticipation of the commercialization of our drug candidates, we have built a manufacturing facility with an annual production capacity of 130 million tablets.

We are led by a senior management team, including world-class scientists, with extensive experience in developing and commercializing anti-viral drugs. Our founder, Dr. Wu, has dedicated his career to, and built our company with the goal of, discovering and developing innovative cures for life-threatening diseases including viral infections for patients in China and worldwide. We believe that our integrated anti-viral platform led and guided by our experienced senior management team will allow us to expand our operations and deliver sustainable growth in the future. Moreover, our platform has enabled us to become a partner-of-choice in China's anti-viral space for global leading pharmaceutical companies, as demonstrated by the high-quality clinical stage anti-viral assets that we have licensed from global pharmaceutical companies such as Roche and Johnson & Johnson.

MARKET OPPORTUNITIES

Our at or near-commercial assets are HCV drug candidates. Hepatitis C is a widespread and infectious liver disease caused by HCV for which there is no vaccine. Hepatitis C is one of the leading causes of chronic liver disease, including cirrhosis and liver cancer, in China. Hepatitis C had a prevalence rate of 1.82% in China in 2017, with 25.2 million estimated HCV-infected patients. The diagnosis rate of hepatitis C has historically been low due to the lack of awareness and effective treatment for the disease and the relatively minimal symptoms experienced by most patients. In 2017, there were approximately 350,000 new infections and 2,000 re-infections of HCV. However, as a result of the lack of breakthrough therapies against HCV, only approximately 74,000 patients were treated in 2017, representing a treatment rate of only 0.3%.

As of June 8, 2018, the CFDA had granted NDA approvals for nine DAA products, including our Ganovo®, which represent a new generation of HCV therapy in China. Ganovo® (danoprevir), which had first sales in China on June 27, 2018, is the fourth DAA product launched and prescribed in China, according to the F&S Report. Compared to the current primary regimen for HCV in China, which is a combination therapy of pegylated interferon and ribavirin, DAA regimens offer a far higher cure rate, shorter treatment duration and better safety and tolerability profile. With the introduction of DAAs for HCV in 2017, HCV drugs are expected to become increasingly available in China, and the PRC market and competitive landscape for HCV treatment is expected to change significantly as effective treatments for HCV have been highly anticipated by patients and doctors in China. The current primary regimen of pegylated interferon and ribavirin is expected to be completely replaced by DAA treatments by 2023, according to the F&S Report.

Other than Ganovo®, which is a domestically-developed Category 1 drug, the remaining eight DAA products approved by the CFDA as of June 8, 2018 are imported Category 5 drugs. As compared to Ganovo® and ravidasvir, these DAAs have comparable cure rates (SVR) in non-head-to-head clinical trials. Ganovo® and ravidasvir are 12 week-regimens, and a number of the approved DAAs are also able to offer 12 week treatment regimens. In terms of indication, such eight approved DAA products are primarily for HCV genotype 1 or 1b patients, although Sovaldi plus ribavirin is also effective for HCV genotype 2 and 3 patients and Epclusa is also effective for HCV genotype 2, 3, 4 and 6 patients. Clinical trials have shown our Ganovo Regimen to be effective for HCV genotype 1 and 4 patients. Clinical trials for ravidasvir were conducted for HCV genotype 1, 2, 3, 4 and 6 patients.

The launch of new and effective treatments are expected to increase HCV treatment rate in China from 0.3% in 2017 to 4.5% in 2028. Despite the effective HCV therapies available, annual new infections are expected to continue to outpace the number of treated patients. New infections of HCV is expected to increase to 410,000 in 2028 from 350,000 in 2017 as a result of an expanding patient population with a high risk for HCV, such as those with renal or venereal diseases and changes in lifestyles, including increasing incidents of invasive procedures that are iatrogenic (such as gastrointestinal examinations) and non-iatrogenic (such as body and lip tattooing and microblading of eyebrows), as well as from unhygienic needle use, including use from drug addiction. As a result, the HCV patient population in China is expected to grow steadily to 27.3 million in 2026, representing a hepatitis C prevalence rate of 1.89%. The market potential, therefore, for breakthrough HCV treatments in China is vast.

For more details of the market opportunities in HCV, HIV, HBV, liver cancer and NASH, see "Industry Overview."

RISK FACTORS

We are a biotechnology company seeking to [REDACTED] on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in companies such as ours, including:

- our financial prospects for the next couple of years are substantially dependent upon the successful sales of Ganovo® (danoprevir) and successful approval and sales of ravidasvir;
- we may face intense competition in the market for anti-viral drugs;
- we may be unable to obtain regulatory approval for our drug candidates;
- our financial prospects depend on the successful development and approval of our clinical-stage and pre-clinical stage product pipeline;
- our drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success;
- we have in-licensed, and may continue to seek strategic alliances or enter into additional licensing arrangements in the future, a number of drug candidates for development and commercialization, which is subject to risks;
- we could be unsuccessful in obtaining or maintaining adequate patent protection for one or more of our drug candidates; and
- we may be unable to attract and retain senior management and key scientific employees.

These risks are not the only significant risks that may affect the value of our Shares. See "Risk Factors" for details of risks and uncertainties related to us.

EXCLUSIVE LICENSING ARRANGEMENTS

As of the Latest Practicable Date, we had five in-licensing arrangements, details of which are set out below:

- *Danoprevir*. In April 2013, we entered into an exclusive licensing agreement with Roche (which was amended in October 2014 and in February 2018) for danoprevir, which granted to us sole and exclusive rights to certain patents and know-how of Roche to develop, manufacture and commercialize danoprevir in Greater China. We are entitled to receive milestone payments of up to US$31.0 million from Roche. As of the Latest Practicable Date, we have received US$26.5 million and have achieved the milestones to receive the remaining milestone payments. We have agreed to pay Roche tiered royalties in the mid-single digits based on net sales of danoprevir in any and all regimens in Greater China.

- *Ravidasvir*. We entered into an exclusive licensing agreement with Presidio in September 2014 for PPI-668 (ravidasvir), which provides us with sole and exclusive rights to develop, manufacture and commercialize ravidasvir in Greater China. Presidio is entitled to receive an upfront and development payment up to US$17.0 million, of which US$9.5 million has been paid by us as of the Latest Practicable Date. We agreed to pay Presidio tiered royalties from mid-single digits to low-teens based on net sales of ravidasvir in Greater China.

- *ASC21*. We entered into an exclusive licensing agreement with Medivir in June 2017 for MIV-802 (ASC21), which provides us with sole and exclusive rights under Medivir's composition-of-matter and anti-viral treatment patent estate to develop, manufacture and commercialize ASC21 in Greater China. Medivir received an upfront payment and is entitled to receive milestones of up to US$8.9 million based on successful development through commercial launch. We have agreed to pay Medivir tiered royalties from the low-single digits to low-teens based on net sales of ASC21 in Greater China.

- *ASC09*. We entered into an exclusive licensing agreement with Janssen, a Johnson & Johnson subsidiary, in July 2013 for TMC310911 (ASC09), which provides us with sole and exclusive rights to develop, manufacture and commercialize ASC09 in the PRC and Macau. We have agreed to pay Janssen tiered royalties in the low- to mid-single digits based on net sales of ASC09 in the PRC and Macau.

- *ASC06*. In July 2013, we assumed an exclusive licensing agreement entered into between Ascletis Pharmaceuticals (Hangzhou) Co., Ltd. and Alnylam in June 2012 for ALN-VSP02 (ASC06), which provides us with sole and exclusive rights to develop and commercialize ASC06 in Greater China. Alnylam is entitled to receive development milestone payments of up to US$9.75 million. We also agreed to make sales milestone payments when aggregate calendar year net sales of ASC06 in Greater China exceed certain thresholds. In addition, we agreed to pay Alnylam tiered royalties in the low- to mid-teens based on net sales of ASC06 in Greater China.

RESEARCH AND DEVELOPMENT

Our in-house research and development team is divided into a compound discovery team, a clinical development team and a regulatory team. Our compound discovery team is mainly responsible for lead compound designing, identifying and selecting molecules that have pharmaceutical activity and market potential. Our clinical development team is mainly responsible for designing and managing our clinical trials. Our regulatory team is mainly responsible for the CFDA drug approval process and monitoring our research and development projects to ensure their compliance with relevant PRC regulations.

COMMERCIALIZATION

We have begun to build our commercialization team since February 2016 to lay the foundation for the commercialization of our first products and develop a targeted marketing strategy. We have built a robust commercialization team of approximately 150 members covering more than 850 hospitals strategically located in regions where hepatitis C is most prevalent in China. Our work primarily consisted of pre-launch market research and patient analysis, brand-building, identifying and educating approximately 5,500 specialists and KOLs in the hepatitis field.

We expect to sell our products to hospitals and other medical institutions, DTP pharmacies and other pharmacies through our distributors, either directly or through their sub-distributors. We are in the process of building our network of distributors, and have entered into distribution agreements with distributors to date. See "Business — Commercialization."

MANUFACTURING

We have one manufacturing facility located in Shaoxing, Zhejiang province with a total gross floor area of 17,000 square metres. Our manufacturing facility has one production line with a designed annual production capacity of 130 million tablets. As substantially all of our drug candidates are administered in tablet form, we are able to manufacture our drugs using the same production line. We have obtained the drug production license for our manufacturing facility. Pursuant to the NDA we filed for danoprevir, the CFDA has carried out manufacturing and GMP inspections at our manufacturing facility, which we have passed. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. We have received the GMP certification to manufacture tablet formulations of danoprevir shortly after receiving NDA approval for danoprevir. Our PRC Legal Advisers have advised us that, to date, we hold the necessary licenses, permits and certifications to manufacture danoprevir. See "Business — Manufacturing."

RAW MATERIALS AND SUPPLIERS

The primary raw materials used to manufacture the APIs for danoprevir include dipeptide carbamate, P3-DCHA and cyprosulfamide. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not manufacture our products in bulk and obtained raw materials for our trial production mainly from three reputable overseas suppliers which we believe have sufficient capacity to meet our commercial demands. In addition to raw material suppliers, we also engaged CROs to conduct certain clinical trials and engaged a reputable contract manufacturing organization to manufacture the APIs for our drug candidates. During the two years ended December 31, 2017 and the three months ended March 31, 2018, none of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. See "Business — Raw Materials and Suppliers."

COMPETITIVE STRENGTHS

We believe that the following strengths will help us in our future development: (i) first HCV cure at commercial-stage developed by a domestic company in China; (ii) first all-oral, interferon-free, phase III-completed HCV regimen developed by a domestic company in China; (iii) experienced, established and well-prepared commercialization team; (iv) a robust research and development product pipeline with potential best-in-class or first-in-class drug candidates; and (v) visionary management leading a fully integrated anti-viral platform. See "Business — Competitive Strengths."

BUSINESS STRATEGY

We intend to implement a business strategy with the following key components: (i) ramp up sales of Ganovo®; (ii) commercialize ravidasvir by leveraging our Ganovo® experience; (iii) elevate patient awareness and education to increase demand for HCV treatments; (iv) advance and strengthen our anti-viral pipeline; and (v) leverage and strengthen our platform to further pursue in-licensing and acquisition opportunities. See "Business — Business Strategy."

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 audited financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this Document, as well as the information set forth in "Financial Information" of this Document. Our financial information was prepared in accordance with HKFRS.

Summary Data from Consolidated Statements of Profit or Loss

After the two years ended December 31, 2017 and the three months ended March 31, 2018, we commenced sales of Ganovo® on June 27, 2018. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not commercialize any products and therefore did not generate any revenue from sale of products. We recognized revenue of RMB33.0 million, RMB53.2 million, RMB13.3 million and RMB51.1 million in 2016 and 2017 and the three months ended March 31, 2017 and 2018 from milestone and upfront payments paid by Roche to us in relation to our licensing arrangement on Ganovo®. Our other income and gains in 2017 primarily consisted of government grants in support of our business growth. The following table sets forth summary data from our consolidated statements of profit or loss for the period indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Revenue	32,976	100.0	53,202	100.0	13,301	100.0	51,062	100.0
Cost of sales	—	—	—	—	—	—	—	—
Gross profit	32,976	100.0	53,202	100.0	13,301	100.0	51,062	100.0
Other income and gains	14,496	44.0	49,593	93.2	4,090	30.7	6,437	12.6
Research and development costs	(62,689)	(190.1)	(114,325)	(214.9)	(10,572)	(79.5)	(22,815)	(44.7)
Administrative expense	(15,044)	(45.6)	(37,477)	(70.4)	(3,015)	(22.7)	(15,717)	(30.8)
Other expenses	(1,612)	(4.9)	(31,434)	(59.1)	(144)	(1.1)	(19,950)	(39.1)
Profit/(loss) before tax	(31,873)	(96.7)	(80,441)	(151.2)	3,660	27.5	(983)	(1.9)
Income tax credit/(expense)	—	—	(6,490)	(12.2)	(6,595)	(49.6)	125	0.2
Loss for the year/period	(31,873)	(96.7)	(86,931)	(163.4)	(2,935)	(22.1)	(858)	(1.7)

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 March 31,
	2016	2017	2018
		RMB'000	
Non-current assets	70,257	115,636	116,270
Current assets	466,008	875,618	773,636
Current liabilities	73,399	99,228	67,899
Net current assets	392,609	776,390	705,737
Non-current liabilities	53,782	22,195	22,070

Summary Data from Consolidated Cash Flow Statements

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

	For the year ended December 31,		For the three months ended March 31,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash flows used in operating activities	(12,498)	(198,056)	(33,349)	(45,741)
Net cash flows from/(used in) investing activities	(37,633)	(644,542)	(756,880)	170,526
Net cash flows from/(used in) financing activities	88,159	549,362	549,362	(57,815)
Net increase/(decrease) in cash and cash equivalents	38,028	(293,236)	(240,867)	66,970
Cash and cash equivalents at the beginning of the year/period	372,398	418,973	418,973	123,697
Effect of foreign exchange rate changes, net	8,547	(2,040)	1,289	(2,002)
Cash and cash equivalents at the end of the year/period	418,973	123,697	179,395	188,665

Key Financial Ratios

	As of December 31,		As of March 31,
	2016	2017	2018
Current ratio	6.3	8.8	11.4
Quick ratio	6.1	8.2	10.4

For more information on our key financial ratios, see "Financial Information — Key Financial Ratios."

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. With an umbrella IND approval and designation by the CFDA for Priority Review, danoprevir was granted NDA approval in only 33 months from IND approval. We received the GMP certification to manufacture tablet formulations of danoprevir on June 14, 2018 and have commenced manufacturing shortly thereafter. We have launched Ganovo® (danoprevir) in China and made our first sales in China on June 27, 2018. Since then, we have gradually commenced nationwide sales of Ganovo® in eastern, southern, northeastern, northern and central China. There are certain risks relating to the sales of our Ganovo® (danoprevir) in China, see "Risk Factors — Risks Relating to Our Financial Prospects — Our financial prospects for the next couple of years are substantially dependent upon the successful sales of Ganovo® (danoprevir) and successful approval and sales of ravidasvir" and "Risk Factors — Risks Relating to Our Financial Prospects — We may face intense competition in the market for anti-viral drugs." In addition, as we begin to commercialize Ganovo® (danoprevir) in China and further our drug development programs in 2018, we expect to incur increasing sales and marketing expenses and research and development costs which may impact our results of operations for the year. As of the

Latest Practicable Date, no material adverse changes have occurred with respect to the regulatory approvals we have received in relation to our drug candidates. Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since March 31, 2018, being the date of our consolidated financial statements as set out in "Appendix I — Accountants' Report" of this Document, and up to the date of this Document.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalization Issue and the [REDACTED] (assuming that the [REDACTED] is not exercised), our Controlling Shareholders, Dr. Wu, Mrs. Wu and the Lakemont 2018 GRAT as a group will be interested in an aggregate of [REDACTED]% of the issued share capital of our Company. See "Relationship with Controlling Shareholders" on page 222 of this Document.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that the Capitalization Issue and the [REDACTED] are completed, [REDACTED] Shares are issued in the [REDACTED] and the [REDACTED] is not exercised:

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
Market Capitalization of our Shares[(1)]	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted net tangible asset value per Share[(2)]	[REDACTED]	[REDACTED]

(1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the conversion of Preferred Shares, the Capitalization Issue and the [REDACTED], assuming the [REDACTED] is not exercised.

(2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately [REDACTED], after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range stated in this Document, assuming the [REDACTED] is not exercised. We currently intend to apply these [REDACTED] for the following purposes:

- *For our Core Products:*
  - approximately [REDACTED]%, or HK$[REDACTED], will be used for the continued research and development of our Core Product pipeline; and
  - approximately [REDACTED]%, or HK$[REDACTED], will be used for commercialization of Ganovo® and ravidasvir;
- *For our other assets and other purposes:*
  - approximately [REDACTED]%, or HK$[REDACTED], will be used for pursuing in-licensing of new drug candidates, although we have not identified any potential targets as of the Latest Practicable Date;

- approximately [REDACTED]%, or HK$[REDACTED], will be used for research and development of ASC21 by initiating and conducting clinical trials;

- approximately [REDACTED]%, or HK$[REDACTED], will be used for supporting our research and development infrastructure and the early development of our two in-house drug programs at discovery stage for HBV and NASH; and

- approximately [REDACTED]%, or HK$[REDACTED], will be used for our working capital and other general corporate purposes.

See "Future Plans and Use of [REDACTED]" for details.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK$[REDACTED] (including [REDACTED] commission), assuming the [REDACTED] is not exercised. In 2016, 2017 and for the three months ended March 31, 2018, [REDACTED] expenses charged to profit or loss were nil, nil, and HK$[REDACTED], respectively, and capitalized to deferred [REDACTED] expenses were nil, nil, and HK$[REDACTED], respectively. After March 31, 2018, approximately HK$[REDACTED] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DIVIDENDS

The Company declared dividends in February 2018 in the amount of US$9.1 million (equivalent to approximately RMB57.8 million) in relation to our Pre-[REDACTED] Reorganization and paid such dividends from February to March 2018. (Such dividends were declared and paid by PowerTree to our Controlling Shareholders through the Company before completion of our Pre-[REDACTED] Reorganization, as a result of which PowerTree became part of our Group.) In September 2016, the Company declared a dividend of US$9.6 million (equivalent to approximately RMB64.5 million according to then-effective exchange rates) to our then shareholders as one of the steps in the corporate restructuring we conducted in 2016. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. As advised by Walkers, the Cayman Islands legal adviser to the Company, a Cayman Islands company may pay dividends out of profits, retained earnings or share premium, subject to a solvency test, and the provisions, if any, of the company's memorandum and articles of association. There is no provision under the Companies Law which expressly prohibits the Company to declare and pay dividends out of its share premium account even when the Company is loss making. See "Financial Information — Dividends."

In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Document.

"AbbVie"	AbbVie Inc., a U.S. pharmaceutical company that discovers, develops and markets both biopharmaceuticals and small molecule drugs and is headquartered in Illinois
"Alnylam"	Alnylam Pharmaceuticals, Inc., a biopharmaceutical company focused on the discovery, development and commercialization of RNA interference (RNAi) therapeutics for genetically defined diseases, incorporated in Delaware
"Ambrilia"	Ambrilia Biopharma Inc., a biotechnology company, engages in the discovery and development of novel treatments for viral diseases and cancer, incorporated in Canada
	[REDACTED]
"Articles of Association" or "Articles" or "Memorandum of Association" or "Memorandum"	articles of association of our Company to be conditionally adopted on the [REDACTED], a summary of which is set out in "Appendix III — Summary of the Constitution of our Company and Cayman Companies Law" to this Document
"Ascletis" or "Company"	Ascletis Pharma Inc., a company incorporated in the Cayman Islands with limited liability on February 25, 2014
"Ascletis Biopharma"	Ascletis Biopharmaceutical (Hangzhou) Co., Ltd.* (歌禮生物製藥(杭州)有限公司), a company established in the PRC on April 19, 2018, and wholly owned by Ascletis BioScience as of the Latest Practicable Date
"Ascletis BioScience"	Ascletis BioScience Co., Ltd.* (歌禮生物科技 (杭州) 有限公司), a company established in the PRC on April 26, 2013 and wholly owned by PowerTree as of the Latest Practicable Date
"Ascletis Pharmaceuticals"	Ascletis Pharmaceuticals Co., Ltd.* (歌禮藥業 (浙江) 有限公司), a company established in the PRC on September 24, 2014 and wholly owned by Ascletis BioScience as of the Latest Practicable Date
"Ascletis Pharma (China)"	Ascletis Pharma (China) Co., Limited (歌禮製藥(中國)有限公司), a company incorporated in Hong Kong with limited liability on March 15, 2018 and wholly owned by PowerTree as of the Latest Practicable Date

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BMS"	Bristol-Myers Squibb, a U.S. multi-national pharmaceutical company
"Board"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of [REDACTED] Shares and 170,151,708 Preferred Shares on the [REDACTED] to the credit of the share premium account of our Company, details of which are set out in the section headed "History, Reorganization and Corporate Structure — Capitalization Issue and [REDACTED]"
"Cayman Islands"	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 general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CDA"	China Drug Administration (國家藥品監督管理總局)
"CDE"	Center for Drug Evaluation (藥品評審中心)
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局), predecessor of CDA

"China," "mainland China," "PRC" or "State"	People's Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires otherwise, references in this Document to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Circular 7"	Announcement on Issues of Enterprising Income Tax Arising from Indirect Property Transfer Between 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)
"Circular 37"	SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Wu and the Lakemont 2018 GRAT, as a group, or any member of them
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this Document, our Core Products include Ganovo®, ravidasvir, ASC09 and ASC06
"Director(s)" or "our Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors

"Dr. Wu"	Dr. Jinzi Jason WU (吳勁梓), our Founder and the spouse of Mrs. Wu, chairman of the Board, chief executive officer, an executive Director of the Company, one of our Controlling Shareholders
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"Founder"	the founder of our Group, being Dr. Wu
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"F&S Report"	an independent market research report prepared by Frost & Sullivan for the purpose of this Document
"GFA"	gross floor area
"Gilead"	Gilead Science, Inc., a U.S. biopharmaceutical company
	[REDACTED]
"Greater China"	mainland China, Hong Kong, Macau and Taiwan
	[REDACTED]
"Group" or "our Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"GSK"	GlaxoSmithKline plc., a British multi-national pharmaceutical, biologics, vaccines and consumer healthcare company
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"Hong Kong Share Registrar"	[REDACTED]
"Hong Kong Share Register"	the branch register of members of our Shares maintained by the Hong Kong Share Registrar
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
"Hong Kong Takeovers Code" or "Takeover Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong [REDACTED]"	the [REDACTED] of the [REDACTED] whose names are set out in the section headed "[REDACTED] — [REDACTED]" in this Document
"[REDACTED]"	the [REDACTED] agreement dated [REDACTED] relating to the [REDACTED] entered into by, among other parties, our Company, the [REDACTED], [REDACTED], [REDACTED] and the [REDACTED]
"Independent Third Party(ies)"	party or parties that is or are not a connected person within the meaning of the Listing Rules

[REDACTED]

"[REDACTED]"	the group of [REDACTED] expected to enter into the [REDACTED] relating to the [REDACTED]
"[REDACTED]"	the [REDACTED] relating to the [REDACTED] to be entered into by, among other parties, our Company, the [REDACTED], [REDACTED], [REDACTED] and the [REDACTED] on or about the [REDACTED]
"Janssen"	Janssen R&D Ireland, a company incorporated in Ireland and a subsidiary of Johnson & Johnson
"Johnson & Johnson"	Johnson & Johnson, a U.S. multi-national medical devices, pharmaceutical and consumer packaged goods manufacturing company incorporated in New Jersey and headquartered in New Jersey

[REDACTED]

"Joint Sponsors"	Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C. and China Merchants Securities (HK) Co., Limited
"KOL(s)"	key opinion leader(s)
"Latest Practicable Date"	July 6, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"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 of the Stock Exchange
"Medivir"	Medivir AB, a biotechnology company based in Sweden
"Merck"	Merck & Co., a U.S. multi-national healthcare company headquartered in New Jersey
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOH"	Ministry of Health (中華人民共和國衛生部), the predecessor of NHFPC
"MOHRSS"	Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部)
"Mrs. Wu"	Mrs. Judy Hejingdao WU, an executive Director, one of our Controlling Shareholders and the spouse of Dr. Wu
"NRDL"	China's National Reimbursement Drug List
"National High and New Technology Enterprise"	National High and New Technology Enterprise (國家高新技術企業)
"NDRC"	National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NHFPC"	National Health and Family Planning Commission (中華人民共和國國家衛生和計劃生育委員會)
"NIFDC"	China Institute for Food and Drug Control (中國食品藥品檢定研究院)
"NPCSC"	Standing Committee of the National People's Congress (全國人民代表大會常務委員會)

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PCT"	Patent Cooperation Treaty
"PowerTree"	PowerTree Investment (BVI) Ltd., a company incorporated in the BVI with limited liability on January 13, 2011 and wholly owned by the Company as of the Latest Practicable Date
"Pre-[REDACTED] Investment(s)"	the pre-[REDACTED] investment(s) in our Company, the details of which are set out in the section headed "History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments"
"Preferential Policies Notice"	the Notice on Cleaning Up and Regulating Taxation and Other Preferential Policies (國務院關於清理規範税收等優惠政策的通知) issued by the State Council
"Preferred Shares"	Series A-1 preferred shares, Series A-2 preferred shares, Series A-3 preferred shares and Series B preferred shares, which are convertible preferred shares of the Company with par value of US$0.0001 per share
"Presidio"	Presidio Pharmaceuticals, Inc., a clinical-stage pharmaceutical company based in the U.S.

"[REDACTED]"	the agreement to be entered into between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on the [REDACTED] to record and fix the [REDACTED]
"[REDACTED]"	the date, expected to be on or about [REDACTED] on which the [REDACTED] is to be fixed by agreement between us and the [REDACTED] (on behalf of the [REDACTED])
"Priority Review"	the NDA priority review process of the CFDA enjoyed by drug candidates that fulfill requirements set out in the *Opinions for Implementing Priority Review and Approval to Solve Drug Registration Application Backlog* (關於解決藥品註冊申請積壓實行優審評審批的意見)
	[REDACTED]
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB	the lawful currency of the PRC
"Roche"	F. Hoffmann-La Roche AG, a Swiss multi-national healthcare company
"RSU"	restricted share unit
"RSU Administrator"	the sole director of JJW11 Limited or any other person duly authorized by such sole director to administer the RSU Scheme
"RSU Scheme"	the RSU scheme adopted by JJW11 Limited on [●], 2018 for the grant of RSUs to RSU participants, a summary of the principal terms of which is set forth in the section headed "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 5. RSU Scheme"
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"SAMR"	State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)
"Sanofi"	Sanofi S.A., a French multi-national pharmaceutical company
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"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 shares in the share capital of our Company of US$0.0001 each
"Shareholder(s)"	holder(s) of our Share(s)
	[REDACTED]
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
	[REDACTED]
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US dollar(s)," "US$" or "USD"	United States dollars, the lawful currency of the United States

"VAT"	value-added tax; all amounts are exclusive of VAT in this Document except where indicated otherwise
"we," "us" or "our"	the Company or the Group, as the context requires

[REDACTED]

"WHO"	World Health Organization

[REDACTED]

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* *For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

In this Document, unless the context otherwise requires, explanations and definitions of certain terms used in this Document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"active pharmaceutical ingredient" or "API"	the substance in a pharmaceutical drug that is biologically active
"ADR"	adverse drug reactions
"ALT"	alanine aminotransferase, a liver enzyme that is released in the blood where liver cells are damaged; the blood test for ALT is used to diagnose liver disorders
"anemia"	a decrease in the total amount of red blood cells (RBCs) or hemoglobin in the blood, or a lowered ability of the blood to carry oxygen
"ASC06"	the drug candidate we are developing for liver cancer, which is in-licensed from Alnylam
"ASC09"	the HIV protease inhibitor drug candidate we are developing, which is in-licensed from Janssen, a Johnson & Johnson subsidiary
"ASC21"	the HCV NS5B nucleotide polymerase inhibitor we are developing, which is in-licensed from Medivir
"AST"	aspartate transaminase or aspartate aminotransferase; the blood test for AST is usually used to detect liver damage
"ASV"	asunaprevir
"Baraclude"	the brand name of Entecavir (ETV), an anti-viral medication used in the treatment of hepatitis B virus (HBV) infection
"b.i.d"	twice daily
"Category 1 drugs"	innovative new drugs, which were defined by the Work Plan for Reforming Chemical Drugs Registration Classification System issued by CFDA on March 4, 2016, being chemical compounds with new and clearly defined structures, pharmacological properties, and apparent clinical value that are not marketed anywhere in the world
"CR"	complete response

GLOSSARY OF TECHNICAL TERMS

"CRO"	a contract research organization, who provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"current primary regimen"	weekly pegylated interferon injections and daily oral doses of ribavirin
"DAA+PR Regimen"	direct-acting anti-viral agent in combination with weekly pegylated interferon injections and daily oral doses of ribavirin
"DAA All-oral Regimen"	direct-acting anti-viral agent combinations without interferon, and with or without ribavirin
"DAA"	direct-acting anti-viral agent
"Daklinza"	a medicine used for the treatment of hepatitis C produced by BMS
"DCV"	daclatasvir, a drug used in combination with other drugs for the treatment of hepatitis C under the trade name Daklinza
"DSV"	dasabuvir, a drug used in combination with other drugs for the treatment of hepatitis C under the trade name Exviera
"DTP"	direct-to-patient
"drug substance"	an active ingredient that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure or any function of the human body, but does not include intermediates use in the synthesis of such ingredient
"dyslipidemia"	an abnormal amount of lipids in the blood
"EOT"	end-of-treatment
"Ganovo®" or "danoprevir"	Ganovo® (戈諾衛®) (danoprevir), a drug for HCV treatment developed by Ascletis
"Ganovo Regimen"	Ganovo® in combination with pegylated interferon and ribavirin, a commercial-stage cure for HCV developed and manufactured by Ascletis
"genotype"	the genetic makeup of an organism

"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"GSP"	Good Supply Practice, guidelines and regulations issued from time to time pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) to provide quality assurance and ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with the guidelines and regulations
"Harvoni"	an all-oral interferon-free DAA HCV therapy developed by Gilead
"HBV"	hepatitis B virus
"HCC"	hepatocellular carcinoma, the most common type of liver cancer
"HCV"	hepatitis C virus
"hemolytic anemia"	a form of anemia due to hemolysis, the abnormal breakdown of red blood cells (RBCs), either in the blood vessels (intravascular hemolysis) or elsewhere in the human body It has numerous possible consequences, ranging from relatively harmless to life-threatening
"hepatitis C"	an infectious disease caused by the HCV that primarily affects the liver
"HIV"	human immunodeficiency virus
"IND"	investigational new drug, an application and approval process required before drug candidates may commence clinical trials
"inhibitor"	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"interferon" or "IFN"	a group of signaling proteins made and released by host cells in response to the presence of several pathogens, such as viruses, bacteria, parasites, and also tumor cells

GLOSSARY OF TECHNICAL TERMS

"*in vitro*"	Latin for "in glass"; studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"*in vivo*"	Latin for "within the living"; studies in vivo are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro ("within the glass"), i.e., in a laboratory environment using test tubes or petri dishes
"KSP"	kinesin spindle protein, a gene critical for the growth and development of cancer cells
"ledipasvir"	a NS5A inhibitor
"NASH"	non-alcoholic steatohepatitis
"NDA"	new drug application
"NS3/4A"	a protease that plays an essential role in translation and polyprotein processing during the HCV viral replication process
"NS5A"	non-structural protein 5A, a zinc-binding and proline-rich hydrophilic phosphoprotein that plays a key role in HCV RNA replication
"NS5B"	non-structural protein 5B, an RNA polymerase
"OBV"	ombitasvir, a drug used for the treatment of hepatitis C
"Pegasys"	the brand name of Pegylated interferon alfa-2a, a medication used to treat hepatitis C and hepatitis
"Peg-IFN", "pegylated interferon" or "peg-interferon"	a hepatitis therapy which polyethylene glycol (PEG) was added to make interferon last longer in the body
"phase I clinical trial(s)"	phase I clinical trial(s) aim to test the safety of a new drug
"phase II clinical trial(s)"	phase II clinical trial(s) test a new drug on a larger group of patients, to gather information about whether it works and how well it works in the short-term
"phase III clinical trial(s)"	phase III clinical trial(s) are only for a new drug that has already passed phases I and II which tests in larger groups of patients, and compare a new drug against an existing treatment or a placebo to see if it works better in practice and if it has important side effects

"PR"	pegylated interferon (Peg-IFN) plus ribavirin
"PRDL"	China's Provincial Reimbursement Drug List
"pre-clinical study(ies)"	pre-clinical studies test the drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether a drug is ready for clinical trials
"proteins"	large biological molecules or macromolecules, consisting of one or more long chains of amino acid residues
"PTV"	paritaprevir
"PTV/r"	paritaprevir/ritonavir, paritaprevir administered with ritonavir
"QTc"	corrected QT interval, a measurement in cardiology. A lengthened QT interval represents abnormal intervals of heart cycle and risk for sudden death
"q.d"	once daily
"q.w"	once a week
"ravidasvir"	a drug candidate for HCV treatment developed by Ascletis
"R&D"	research and development
"RDV/ASC21 Regimen"	ASC21 in combination with ravidasvir, an all-oral HCV treatment
"RDV/DNV Regimen"	Ganovo® (danoprevir) in combination with ravidasvir, an all-oral, interferon-free phase III-completed HCV regimen developed by Ascletis
"RECIST"	Response Evaluation Criteria In Solid Tumors, a set of published rules that define when tumors in cancer patients improve, stay the same, or worsen during treatment
"Regorafenib"	a multi-kinase inhibitor
"ribavirin" or "RBV"	an anti-viral medication used to treat respiratory syncytial virus infection, hepatitis C and viral hemorrhagic fevers
"ritonavir"	an anti-viral protease inhibitor that interferes with the reproductive cycle of virus
"RVR"	rapid virological response

GLOSSARY OF TECHNICAL TERMS

"RNA"	ribonucleic acid
"RNAi"	RNA interference, a technology used for drug discovery and development
"siRNA"	small interfering RNA, a class of double-stranded RNA molecules, 20-25 base pairs in length, similar to miRNA, and operating within the RNA interference (RNAi) pathway
"small-molecule drug"	a kind of drug that is a low molecular weight organic compound with a size in the order of 10^{-9} m, which helps regulate a biological process
"Sorafenib"	an oral, multi-kinase inhibitor
"Sovaldi"	sofosbuvir (SOF), a DAA developed by Gilead
"Sunvepra"	a medicine used for the treatment of hepatitis C produced by BMS
"SVR"	sustained virologic response
"SVR12"	sustained virologic response 12 weeks after treatment completion
"SVR24"	sustained virologic response 24 weeks after treatment completion
"tablets"	a formulation in which drugs may be delivered for oral administration, produced by mixing extracted active medicinal ingredients with supplemental materials or powdered medicines
"TCM"	traditional Chinese medicine
"VEGF"	vascular endothelial growth factor, a gene critical for the growth and development of cancer cells
"Viekirax and Exviera"	two new medications used to treat hepatitis C produced by AbbVie, of which the DAAs are OBV, PTVr and DSV
"Zepatier"	an all-oral interferon-free DAA HCV therapy produced by Merck

FORWARD-LOOKING STATEMENTS

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

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

- the timing of initiation and completion, and the progress of our drug discovery and research programs;
- the timing and likelihood of regulatory filings and approvals, such as IND and NDA;
- our ability to advance our drug candidates into drugs, and the successfully completion of clinical trials;
- the approval, pricing and reimbursement of our drug candidates;
- the commercialization of our drug candidates;
- the market opportunities and competitive landscape of our drug candidates;
- the receipt and timing of any milestone payments in relation to the licensing agreements;
- estimates of our costs, expenses, future revenues, capital expenditures and our needs for additional financing;
- our ability to attract and retain senior management and key employees;
- our operations and business prospects;
- future developments, trends, conditions and competitive landscape in the industry and markets in which we operate;

- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to continue to maintain our market position in China's biotechnology industry;
- our ability to identify and integrate suitable acquisition targets;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- the amount and nature of, and potential for, future development of our business;
- the actions and developments of our competitors;
- certain statements in the sections headed "Business" and "Financial Information" in this Document with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this Document that are not historical facts.

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

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

You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

RISKS RELATING TO OUR FINANCIAL PROSPECTS

Our financial prospects for the next couple of years are substantially dependent upon the successful sales of Ganovo® (danoprevir) and successful approval and sales of ravidasvir.

We have incurred significant expenses related to the research and development of our drug candidates during the two years ended December 31, 2017 and the three months ended March 31, 2018. For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our research and development costs amounted to RMB62.7 million, RMB114.3 million, RMB10.6 million and RMB22.8 million, respectively. We expect that we will continue to incur significant expenses related to the research and development and commercialization of our drug candidates in the future. To date, we had Ganovo® and ravidasvir, two at or near-commercial stage products. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have begun to commercialize Ganovo® (danoprevir) in China. We completed a phase II/III clinical trial of ravidasvir and plan to file our NDA in the third quarter of 2018. Our ability to generate significant revenue in the next several years will depend primarily on the successful regulatory approval, manufacture, marketing and commercialization of Ganovo® and ravidasvir, which is subject to significant uncertainty. Our ability to generate sales revenue from our drug candidates and our future profitability depends on a number of factors, including our ability to continue:

- obtaining regulatory approvals and marketing authorizations for Ganovo® and ravidasvir;
- obtaining market acceptance by hospitals, doctors, KOLs and others in the medical community for our drug candidates as viable treatment options;
- experiencing sales growth in China, particularly in light of the recent declining sales of Gilead's Sovaldi in the U.S.;
- developing and maintaining our sales network to launch and commercialize our drug candidates;
- setting appropriate and favorable prices for our drug candidates and obtaining adequate reimbursement from third-party payers, including government payers;
- maintaining commercially viable supply relationships with third parties and maintaining sufficient manufacturing capabilities and infrastructure;

- addressing any competing technological and market developments; and

- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how.

In addition, because of the numerous risks and uncertainties associated with regulatory approval, we are unable to predict the timing or amount of increased expenses, or when, or if, we will be able to achieve or maintain profitability. In addition, our expenses could increase beyond expectations if we are required by the CFDA to perform studies in addition to those that we currently anticipate. Even if our drug candidates are approved for commercial sale, we anticipate incurring significant costs associated with the commercial launch of these drugs.

Our ability to become and remain profitable depends on our ability to generate revenue. Even if we are able to generate revenue from the sale of these drugs, we may not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce our operations. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, expand our business or continue our operations. Failure to become and remain profitable may adversely affect the market price of our Shares and our ability to raise capital and continue operations. A decline in the value of our Company could also cause you to lose all or part of your investment.

We may face intense competition in the market for anti-viral drugs.

The pharmaceutical and biotechnology industries are intensely competitive and rapidly changing. Large pharmaceutical and biotechnology companies, academic institutions, governmental agencies and other public and private research organizations have commercialized or are commercializing or pursuing the development of anti-viral drugs that target hepatitis and other infectious diseases. There is currently one competing regimen for our Ganovo Regimen in China: sofosbuvir in combination with pegylated interferon and ribavirin, which commenced sales in November 2017. Viekirax/Exviera, Daklinza/Sunvepra, Zepatier and Epclusa, launched in November 2017, June 2017, April 2018 and May 2018, respectively, are competitor products for our ravidasvir therapy in China. We may not be able to successfully compete with these regimens.

In addition, we expect our current and future drug candidates to face intense and increasing competition as new drugs and advanced technologies become available. There are several multi-national and domestic companies undergoing clinical trials in China for DAAs to treat HCV, according to the F&S Report. Gilead filed an NDA for Harvoni in December 2017, which is a competing regimen for our RDV/DNV Regimen and RDV/ASC21 Regimen. This and other potential new treatment regimens may compete directly with our HCV drug candidates and regimens. Our other drug candidate programs for HIV, HBV, liver cancer and fatty liver disease may also face fierce competition in the future. In particular, some market researchers have predicted a slowdown or decline in the HIV drug market in China as a result of increasing sales of generic drugs.

Many of our competitors have substantially greater commercial infrastructure and better financial, technical and personnel resources than we have, as well as drug candidates in late-stage clinical development. Even if successfully developed and subsequently approved by the CFDA, our drug candidates will face competition based on their safety and effectiveness, the timing and scope of the regulatory approvals, the availability and cost of supply, marketing and sales capabilities, reimbursement coverage, price, patent position and other factors. Our competitors may succeed in developing competing drugs and obtaining regulatory approval before we do with our drug candidates, or they may gain acceptance in the same markets that we are targeting. If we are not "first-to-market" with one of our drug candidates, our competitive position could be compromised because it may be more difficult for us to successfully market that drug candidate as a second competitor. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. Disruptive technologies and medical breakthroughs, such as a vaccine for HCV or new alternative treatments, may compete with our drug candidates or render our drug candidates obsolete or noncompetitive.

The terms of our patents may not be sufficient to effectively protect our drug candidates and business from competitors, including generic drugs.

We own, have obtained licenses for, and have applied for patents related to our drugs and drug candidates. The term of an issued patent in China generally expires 20 years from the date of application. The life of a patent and the protection it affords is limited. Even if we have patents covering our drug candidates, we may be open to competition from other companies, and in particular, from generic drugs once our patent rights expire. For example, our patents in relation to Ganovo® (danoprevir) will expire between 2024 and 2029 in the PRC. For details of our patents, see "Business — Intellectual Property." Upon the expiration of our issued patents or patents that may be issued from our pending patent applications, we will not be able to assert such patent rights against potential competitors, including generic drugs, and our business and results of operations may be adversely affected.

We may need to obtain substantial additional financing to fund our operations.

We will need to expend substantial resources for research and development and commercialization of our drug candidates, including costs associated with:

- clinical trials for our drug candidates at discovery and clinical stage;
- discovery of additional drug candidates; and
- preparing for commercialization of Ganovo® and anticipated commercialization of ravidasvir, when regulatory approvals were obtained.

We plan to use the [REDACTED] from the [REDACTED], together with the funds generated from the sale of Ganovo® to fund our operations. However, if commercialization of Ganovo® is terminated or if expenses increase, we may need to obtain additional financing to fund our operations. Additional funds may not be available when we need them, on terms that are acceptable to us, or at

all. Our ability to raise funds will depend on financial, economic and market conditions and other factors, many of which are beyond our control. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate pre-clinical studies, clinical trials or other research and development activities or commercialization for one or more of our drug candidates, and in turn will adversely affect our business prospects.

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

Incorporated in 2013, we have a limited operating history compared to some of our competitors, especially multi-national biopharmaceutical companies. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have started to generate revenue from product sales following commercialization. Most of our drug candidates are still under various stages of development, and we have not yet demonstrated ability to successfully obtain regulatory approvals, manufacture and commercialize those drug candidates. Our limited operating history may make it difficult to evaluate our current business and predict our future performance. Any predictions you make about our future success or viability may be subject to uncertainty and may not be as accurate as they could be if we had a longer operating history. We may encounter risks and difficulties frequently experienced by early-stage companies in rapidly evolving fields as we seek to transit to a company capable of supporting commercial activities. In addition, as a new business, 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.

RISKS RELATING TO DEVELOPMENT, CLINICAL TRIALS AND REGULATORY APPROVAL OF OUR DRUG CANDIDATES

We may be unable to obtain regulatory approval for our drug candidates.

Our business is substantially dependent on our ability to complete the development of, obtain regulatory approval for and successfully commercialize drug candidates in a timely manner. We cannot commercialize drug candidates without obtaining regulatory approval to market each drug from the CFDA. The time required to obtain approval from the CFDA is unpredictable but typically takes years following the commencement of pre-clinical studies and clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a drug candidate's clinical development and may vary among jurisdictions. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. To date, other than danoprevir, we had not received NDA approval for any of our drug candidates, and it is possible that none of our existing drug candidates or any drug candidates we may discover, in-license or acquire and seek to develop in the future will ever obtain such approval.

Our financial prospects depend on the successful development and approval of our clinical-stage and pre-clinical stage product pipeline.

Our ability to generate revenue and become profitable in the future depends upon our ability to successfully complete the development of, obtain the necessary regulatory approvals for, and commercialize our clinical-stage drug candidates. To date, we had two HCV drug candidates at or near commercial stage and one HCV drug candidate was IND-ready. In addition to our HCV drug candidates, we had two other anti-viral programs—a phase IIa-completed drug candidate for HIV and a pre-clinical program for HBV—as of the Latest Practicable Date. As of the same date, we also had a phase I-completed liver cancer drug candidate and a pre-clinical stage NASH program. We have invested a significant portion of our efforts and financial resources in the development of our existing drug candidates, and we expect to continue to incur substantial and increasing expenditures through the projected commercialization of these drug candidates. None of these drug candidates have been approved for marketing in China or any other jurisdiction and may never receive such approval. Our ability to achieve revenue and profitability is dependent on our ability to complete the development of our drug candidates, obtain necessary regulatory approvals, and have our drugs manufactured and successfully marketed.

The success of these drug candidates will depend on several factors, including:

- successful enrollment in, and completion of, pre-clinical studies and clinical trials;
- receipt of regulatory approvals from the CFDA and other regulatory authorities for our drug candidates;
- establishing sufficient commercial manufacturing capabilities, either by expanding our current manufacturing facility or making arrangements with third-party manufacturers;
- relying on third parties to conduct our clinical trials safely and efficiently;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- protecting our rights in our intellectual property;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- launching commercial sales of our drug candidates, if and when approved;
- obtaining reimbursement from third-party payers for drug candidates, if and when approved;

- competition with other drug candidates and drugs; and

- continued acceptable safety profile for our drug candidates following regulatory approval, if and when received.

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 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.

Moreover, because we have limited financial and managerial resources, we focus our product pipeline on research and development programs and drug candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial drugs or profitable market opportunities. Our spending on current and future research and development programs and drug candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

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

We may fail to identify drug candidates for clinical development for a number of reasons. For example, our research methodology may be unsuccessful in identifying potential drug candidates or those we identify may be shown to have harmful side effects or other characteristics that make them unmarketable or unlikely to receive regulatory approval. We have devoted significant resources to compound discovery efforts through our biotechnology platform, and we cannot guarantee that we will be successful in identifying potential drug candidates. Historically, we have in-licensed a number of drug candidates to develop and commercialize in the PRC. We cannot guarantee that we will be able to continue to successfully identify and in-license new drug candidates with high potential.

Research programs to pursue the development of our drug candidates for additional indications and to identify new drug candidates and drug targets require substantial technical, financial and human resources. Our research programs may initially show promise in identifying potential indications and/or drug candidates, yet fail to yield results for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential indications and/or drug candidates;

- potential drug candidates may, after further study, be shown to have harmful adverse effects or other characteristics that indicate they are unlikely to be effective drugs; or

- it may take greater human and financial resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programs than we will possess, thereby limiting our ability to diversify and expand our drug portfolio.

Accordingly, there can be no assurance that we will ever be able to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programs, which could materially adversely affect our future growth and prospects. We may focus our efforts and resources on potential drug candidates or other potential programs that ultimately prove to be unsuccessful.

If we encounter difficulties enrolling patients in our clinical trials, clinical trials of our drug candidates 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;
- the patient eligibility criteria defined in the protocol;
- the size of the study population required for analysis of the trial's primary endpoints;
- the proximity of patients to trial sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- competing clinical trials for similar therapies or other new therapeutics;
- clinicians' and patients' perceptions as to the potential advantages and side effects of the drug candidate being studied in relation to other available therapies, including any new drugs or treatments that may be approved for the indications we are investigating;
- our ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will not complete a clinical trial; and
- the availability of approved therapies that are similar in mechanism to our drug candidates.

In addition, our clinical trials may compete with our competitors' clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates. Such competition will reduce the number and types of patients available to us, as some patients might opt to enroll in a trial being conducted by our competitors instead of ours. 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.

We rely on third parties to monitor, support and/or conduct clinical trials of our drug candidates.

We rely on academic institutions, CROs, hospitals and clinics who are beyond our control to monitor, support, conduct and/or pre-clinical and clinical studies of our drug candidates. We also rely on third parties to perform clinical trials on our drug candidates when they reach that stage. As a result, we have less control over the quality, timing and cost of these studies and the ability to recruit trial subjects than if we conducted these trials wholly by ourselves. If we are unable to maintain or enter into agreements with these third parties on acceptable terms, or if any such engagement is terminated, we may be unable to enroll patients on a timely basis or otherwise conduct our trials in the manner we anticipate. In addition, there is no guarantee that these third parties will devote adequate time and resources to our studies or perform as required by a contract or in accordance with regulatory requirements, including maintenance of clinical trial information regarding our future drug candidates. If these third parties fail to meet expected deadlines, fail to timely transfer to us any regulatory information, fail to adhere to protocols or fail to act in accordance with regulatory requirements or our agreements with them, or if they otherwise perform in a substandard manner or in a way that compromises the quality and/or accuracy of their activities and/or the data they obtain, then clinical trials of our future drug candidates may be extended, delayed or terminated, or our data may be rejected by the CFDA or regulatory agencies.

Results of earlier clinical trials may not be predictive of results of later-stage clinical trials.

The results of pre-clinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials. Drug candidates 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. Future clinical trial results may not be favorable for these and other reasons.

In some cases, 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 protocols and the rate of dropout among clinical trial participants. As drug candidates are developed through pre-clinical to early- to late-stage clinical trials towards approval and commercialization, it is customary that various aspects of the development program, such as manufacturing and formulation, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives. 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. Any of these changes could make the results of planned clinical trials or other future clinical trials we may initiate less predictable and could cause our drug candidates to perform differently, which could delay completion of clinical trials, delay approval of our drug candidates and/or jeopardize our ability to commence commercialization of our drug candidates.

Clinical drug development involves a lengthy and expensive process with uncertain outcomes, and we may be unable to commercialize our drug candidates on a timely basis.

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. Clinical trials is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more of our clinical trials can occur at any stage of testing. The outcome of pre-clinical testing and early clinical trials may not be predictive of the success of later clinical trials, and successful interim results of a clinical trial do not necessarily predict successful final results.

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:

- regulators may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs;
- 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 CROs 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 a finding that participants are being exposed to unacceptable health risks;
- regulators may require that we or our investigators suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements;
- the cost of clinical trials of our drug candidates may be greater than we anticipate;

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

- our drug candidates may cause adverse events, have undesirable side effects or other unexpected characteristics, causing us or our investigators to suspend or terminate the trials.

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:

- be delayed in obtaining regulatory approval for our drug candidates;

- not obtain regulatory approval at all;

- obtain approval for indications that are not as broad as intended;

- have the drug removed from the market after obtaining regulatory approval;

- be subject to additional post-marketing study requirements;

- be subject to restrictions on how the drug is distributed or used; or

- be unable to obtain reimbursement for use of the drug.

Delays in testing or approvals may result in increases in our drug development costs. We do not know whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant clinical trial delays also 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 and impair our ability to commercialize our drug candidates and may harm our business and results of operations.

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

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

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

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

- failure to demonstrate that a drug candidate's clinical and other benefits outweigh its safety risks;

- disagreement with our interpretation of data from pre-clinical studies or clinical trials;
- the insufficiency of data collected from clinical trials of our drug candidates to support the filing of an NDA or other submission or to obtain regulatory approval;
- the CFDA's finding of deficiencies related to the manufacturing processes or facilities; and
- changes in approval policies or regulations that render our pre-clinical and clinical data insufficient for approval.

The CFDA 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. If we were to obtain approval, regulatory authorities may approve any of our drug candidates for fewer or more limited indications than we request, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a drug candidate with a label that is not desirable for the successful commercialization of that drug candidate. In addition, if any of our drug candidates produces undesirable side effects or safety issues, the CFDA may require the establishment of risk evaluation and mitigation measures that may, for instance, restrict distribution of our drugs and impose burdensome implementation requirements on us. Any of the foregoing scenarios could materially harm the commercial prospects of our drug candidates.

Our drug candidates may cause undesirable adverse events.

Undesirable adverse events caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the CFDA. Results of our clinical trials could reveal a high and unacceptable severity or prevalence of adverse events. In such an event, our clinical trials could be suspended or terminated and the CFDA could order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications. For details of the adverse events and side effects of our product pipeline as observed during clinical trials, see "Business — Our Product Pipeline." Drug-related adverse events could affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly.

Additionally if one or more of our drug candidates receives regulatory approval, and we or others later identify undesirable side effects caused by such drugs, a number of potentially significant negative consequences could result, including:

- we may suspend marketing of the drug;
- regulatory authorities may withdraw approvals of the drug;
- regulatory authorities may require additional warnings on the label;

- we may be required to develop risk evaluation and mitigation measures for the drug or, if risk evaluation and mitigation measures are already in place, to incorporate additional requirements under the risk evaluation and mitigation measures;

- we may be required to conduct post-market studies;

- we could be sued and held liable for harm caused to subjects or patients; and

- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular drug candidate, and could significantly harm our business, results of operations and prospects.

We may not be able to comply with ongoing regulatory obligations and continued regulatory review even if we receive regulatory approval for our drug candidates.

If our drug candidates are approved, they will be subject to ongoing 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 in China.

Manufacturers and manufacturers' facilities are required to comply with extensive CFDA requirements, including ensuring that quality control and manufacturing procedures conform to current Good Manufacturing Practices, or 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 NDA, other marketing application, and previous responses to inspection observations. Accordingly, we must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

The CFDA may withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the drug reaches the market. Later discovery of previously unknown problems with our drug candidates, including adverse events of unanticipated severity or frequency, or with our manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a risk evaluation and mitigation program. Other potential consequences include, among other things:

- restrictions on the commercialization or manufacturing of our drugs, withdrawal of the drug from the market, or voluntary or mandatory product recalls;

- fines, untitled or warning letters, or holds on clinical trials;

- refusal by the CFDA to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals;

- product seizure or detention, or refusal to permit the import or export of our drug candidates; and

- injunctions or the imposition of civil or criminal penalties.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained and we may not achieve or sustain profitability.

In addition, if we were able to obtain conditional approval of any of our drug candidates, the CFDA may require us to conduct a confirmatory study to verify the predicted clinical benefit and additional safety studies. The results from the confirmatory study may not support the clinical benefit, which would result in the approval being withdrawn. While operating under conditional approval, we will be subject to certain restrictions that we would not be subject to upon receiving regular approval.

Favorable designations may be revoked or may not be granted for any of our drug candidates, and may not lead to faster development or regulatory review or approval.

Our Ganovo® (danoprevir) and ravidasvir have both been designated as Category 1 drugs by the CFDA. Moreover, our other drug candidates under development are all new therapeutic agents, and we expect our other drug candidates to also qualify as Category 1 drugs. We believe the local drug registration pathway, Category 1, is a faster and more efficient path to approval in the PRC market than that for imported drugs under Category 3. Although we expect all of our current drug candidates to fall within the Category 1 application process, we cannot assure you that applications of our drug candidates will be approved or maintain such categories after approval.

In addition, our Ganovo® (danoprevir), ravidasvir and ASC09 were approved as National Science and Technology Major Projects for "Innovative Drug Development" (國家科技重大專項重大新藥創制專項立項) under the 13th Five-year Plan by the NHFPC. Our RDV/DNV Regimen was recognized as a 2018 Provincial Major Research and Development Project (2018省重點研發計劃項目立項清單). We cannot assure you that we will be able to maintain these designations, in which case our business and results of operations may be materially and adversely affected.

RISKS RELATING TO COMMERCIALIZATION OF OUR DRUG CANDIDATES

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

Even if our drug candidates receive regulatory approval, they may nonetheless fail to gain sufficient market acceptance by physicians and patients and others in the medical community. Physicians and patients may prefer other drugs to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant revenue from sales of our drug candidates and we may not become profitable. 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 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 package insert requirements of the CFDA;
- limitations or warnings contained in the labeling approved by the CFDA;
- 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 and reimbursement under NRDL and PRDL;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies;
- the effectiveness of our sales and marketing efforts.

If our drug candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals or others in the medical community, we will not be able to generate significant revenue. Even if our drugs 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 drugs, are more cost effective or render our drugs obsolete.

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

Our drug candidates may be administered in combination with drugs of other pharmaceutical companies as one regimen. As such, the sales of our drugs may be affected by the availability of these third-party drugs. If other pharmaceutical companies discontinue these combination drugs, regimens that use these combination drugs may no longer be prescribed, and we may not be able to introduce or find an alternative drug to be used in combination with our drugs, at all or in a timely and cost-effective basis. As a result, demand for our drugs may be lowered, which would in turn materially and adversely affect our business and results of operations.

We may not be able to effectively build and manage our sales network.

In anticipation of the commercialization of our drug candidates, we started building our commercialization team since 2016. We cannot assure you that our pre-launch efforts will guarantee immediate market success. There may be circumstances during the actual sales of our products that we did not anticipate prior to commercialization that may require us to adjust our sales and marketing strategies, recruit additional personnel or incur unforeseen costs and expenses to address those circumstances. For example, we may not be able to maintain proper inventory levels for our products. Inventory levels in excess of product demand may result in inventory write-downs, expiration of products and increase in inventory holding costs. Conversely, we may experience inventory shortages if we underestimate demand for our products, which may result in unfilled orders and have a negative impact on our relationship with distributors, hospitals and doctors. Moreover, we may not be able to effectively manage and grow our sales network, which may affect our business and future prospects.

The manufacture of pharmaceutical products is a highly exacting and complex process, and if we encounter problems in manufacturing our products, our business could suffer.

We have limited experience in managing the manufacturing process. The manufacture of pharmaceutical products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or the expansion of our existing manufacturing facility, including changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, physical limitations that could inhibit continuous supply, man-made or natural disasters and environmental factors. If problems arise during the production of a batch of product, that batch of product may have to be discarded and we may experience product shortages or incur added expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred.

If our products are listed on national and provincial reimbursement drug lists, changes in pricing regulation could restrict the amount that we are able to charge for our current and future products.

We price our products after receiving NDA approval. According to currently effective PRC laws and regulations, the prices of our products are determined by market competition. The government regulate prices mainly by establishing a consolidated procurement mechanism, revising national reimbursement drug lists and strengthening regulation of medical and pricing practices. We cannot predict the extent to which our business may be affected by potential future legislative or regulatory developments. Changes in pricing regulation could restrict the amount that we are able to charge for our current and future products, which would adversely affect our revenue, profitability and results of operations.

Reimbursement may not be available for our drug candidates.

Our ability to commercialize any drugs successfully will depend in part on the extent to which reimbursement for these drugs and related treatments will be available to hospitals and other medical institutions ordering these drugs for use by their patients. Under the national medical insurance program in China, patients purchasing pharmaceutical products that are listed in the Medical Insurance Drugs Catalogs or the National Essential Drug List are entitled to reimbursement of all or a portion of their purchase costs from the social medical fund. Consequently, the inclusion or exclusion of pharmaceutical product in the Medical Insurance Drug Catalogs or the National Essential Drug List will significantly affect the demand for such product in China. We have and plan to actively pursue reimbursement opportunities at a national and provincial level. However, we cannot be sure that reimbursement will be available for any drug that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any drug for which we obtain regulatory approval. Obtaining reimbursement for our drugs may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidate that we successfully develop.

RISKS RELATING TO OUR DEPENDENCE ON THIRD PARITES

We have in-licensed, and may continue to seek strategic alliances or enter into additional licensing arrangements in the future, a number of drug candidates for development and commercialization, which is subject to risks.

We have entered into license agreements with third parties providing us with rights under various third-party patents and patent applications, including the rights to prosecute patent applications and to enforce patents, to develop, manufacture and commercialize certain drug candidates. Going forward, we may continue to seek strategic alliances or enter into additional licensing arrangements. 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. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. 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 could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drugs or drug candidates;

- collaborators may not properly maintain or defend 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 drugs that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, if we enter into collaboration agreements and strategic partnerships or license our drugs, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a 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 revenue, which would harm our business prospects, financial condition and results of operations.

We have relied on and expect to continue to rely on third parties to supply raw materials for manufacturing our drug candidates, and 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.

During the two years ended December 31, 2017 and the three months ended March 31, 2018, we relied on certain Independent Third Parties in China and overseas to supply APIs and key raw materials used in the research and development, and trial manufacture of our drug candidates, and we expect to continue to use third party suppliers for such APIs and raw materials for products we develop and commercialize in the future. Purchases from our five largest suppliers accounted for 58.6%, 55.7% and 77.1% of our total purchase amounts in 2016, 2017 and the three months ended March 31, 2018, respectively. As a result, any disruption in production or inability of our suppliers to produce adequate quantities to meet our needs could impair our ability to operate our business on a day-to-day basis and to continue our research and development of our future drug candidates. Moreover, we expect our demand for such materials to increase as we expand our business scale and commercialize our products, and we cannot guarantee that current suppliers have the capacity to meet our demand. We are also exposed to the possibility of increased costs, which we may not be able to pass on to customers and as a result, lower our profitability. In addition, although we have implemented quality inspection procedures on such materials before being used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. We cannot assure you that these third parties will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the drug substance supplied to us. If we are unable to do so and the quality of our products suffer as a result, we may have to delay clinical trials and regulatory filings, recall our products, be subject to product liability claims, fail to comply with continuing regulatory requirements and incur significant costs to rectify such issue, which may have a material and adverse effect on our business, financial condition and results of operations.

If we fail to establish a distribution network, our business prospects could be adversely affected.

Our ability to expand our business will depend on our ability to establish a distribution network that timely delivers our drugs in areas where we generate market demand through our commercialization activities. We rely on our distribution agreements to manage our distributors. However, our distributors may fail to distribute our drugs in the manner we contemplate, impairing the effectiveness of our distribution network. Our drugs may also compete with similar products from our competitors sold by our distributors.

Our distributors might elect not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons. For example, if PRC price controls or other factors substantially reduce the margins they may obtain through the resale of our products to hospitals and other medical institutions and sub-distributors, they may terminate their agreements with us. If any of our significant distributors, or a significant number of our distributors, voluntarily or involuntarily suspend or terminate their relationships with us, or we are otherwise unable to maintain and expand our distribution network effectively, our business prospects could be adversely affected.

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

We intend to grant credit terms of 60 days to our distributors. If our distributors' cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with distributors in a manner that will impair the effective distribution of our products.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

We could be unsuccessful in obtaining or maintaining adequate patent protection for one or more of our drug candidates.

Our commercial success will depend, in large part, on our ability to obtain and maintain patent and other intellectual property protection with respect to our drugs and drug candidates. We cannot be certain that patents will be issued or granted with respect to our patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid and/or unenforceable, be interpreted in a manner that does not adequately protect our drug candidates, or otherwise provide us with any competitive advantage. Moreover, the patent applications in respect of patents licensed under our in-license arrangements may not be issued or granted, and as a result, we may not be able to have adequate protection with respect to such patents. The patent position of biotechnology and pharmaceutical companies is generally uncertain because it involves complex legal and factual considerations. Patent applications we had applied may not be granted in the end. As such, we do not know the degree of future protection that we will have on our drugs and technology, if any, and a failure to obtain adequate intellectual property protection with respect to our drug candidates could have a material adverse impact on our business.

Issued patents covering one or more of our drug candidates could be found invalid or unenforceable if challenged in court.

Despite measures we take to obtain patent and other intellectual property protection with respect to our drug candidates, any of our intellectual property rights could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our drug candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in China, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the State Intellectual Property Office, or the applicable foreign counterpart, or made a misleading statement, during prosecution. Although we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent

examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a drug candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Any loss of patent protection could have a material adverse impact on one or more of our drug candidates and our business.

Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages, cease the sale of certain drugs or enter into a license agreement and pay royalties (which may not be possible on commercially reasonable terms or at all). Any efforts to enforce our intellectual property rights are also likely to be costly.

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

Our commercial success depends upon our ability to develop, manufacture and commercialize our drug candidates without infringing the intellectual property rights of others. We cannot guarantee that our drug candidates or our drug candidates do not and will not in the future infringe third-party patents or other intellectual property rights. Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, use or manufacture the compounds we have developed or are developing. Such third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

It is also possible that we failed to identify, or may in the future fail to identify, relevant patents or patent applications held by third parties that cover our drug candidates. Publication of discoveries in the scientific or patent literature often lags behind actual discoveries. Therefore, we cannot be certain that we were the first to invent, or the first to file patent applications on, our drug candidates or for their uses, or that our drug candidates will not infringe patents that are currently issued or that are issued in the future. In the event that a third party has also filed a patent application covering one of our drug candidates or a similar invention, our patent application may be regarded as competing applications and may not be approved in the end. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our products or their use.

In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a drug candidate, or be forced, by

court order or otherwise, to cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated.

Unfavorable outcomes in intellectual property litigation could limit our research and development activities and/or our ability to commercialize our drug candidates.

If third parties successfully assert their intellectual property rights against us, we might be barred from using certain aspects of our technology, or barred from developing and commercializing our drug candidates. Prohibitions against using certain technologies, or prohibitions against commercializing our drug candidates, could be imposed by a court or by a settlement agreement between us and a plaintiff. In addition, if we are unsuccessful in defending against allegations that we have infringed, misappropriated or otherwise violated patent or other intellectual property rights of others, we may be forced to pay substantial damage awards to the plaintiff. There is inevitable uncertainty in any litigation, including intellectual property litigation. There can be no assurance that we would prevail in any intellectual property litigation, even if the case against us is weak or flawed. If litigation leads to an outcome unfavorable to us, we may be required to obtain a license from the intellectual property owner in order to continue our research and development programs or to commercialize any resulting product. It is possible that the necessary license will not be available to us on commercially acceptable terms, or at all. This may not be technically or commercially feasible, may render our products less competitive, or may delay or prevent the launch of our products to the market. Any of the foregoing could limit our research and development activities, our ability to commercialize one or more drug candidates, or both.

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

In addition, any future intellectual property litigation, interference or other administrative proceedings will result in additional expense and distraction of our personnel. An adverse outcome in such litigation or proceedings may expose us or any future strategic partners to loss of our proprietary position, expose us to significant liabilities, or require us to seek licenses that may not be available on commercially acceptable terms, if at all, each of which could have a material adverse effect on our business.

Intellectual property litigation may lead to unfavorable publicity that harms our reputation and causes the market price of our common stock to decline.

During the course of any intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our drugs, programs or intellectual property could be diminished. Accordingly, the market price of our Shares may decline. Such announcements could also harm our reputation or the market for our drug candidates, which could have a material adverse effect on our business.

Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information.

We rely on employee and third-party confidentiality agreements to safeguard our intellectual property, such as trade secrets, know-how and other proprietary information. In the course of our research and development activities and our business activities, we often rely on confidentiality agreements to protect our proprietary information. Such confidentiality agreements are used, for example, when we collaborated with CROs or potential strategic partners. In addition, each of our employees is required to sign a confidentiality agreement and invention assignment agreement upon joining our company. We take steps to protect our proprietary information, and our confidentiality agreements and invention assignment agreements are carefully drafted to protect our proprietary interests. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors or business partners might intentionally or inadvertently disclose our trade secret information to competitors or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable.

We sometimes engage individuals or research institutions to conduct research relevant to our business. The ability of these individuals or research institutions to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret information may be jeopardized, which could adversely affect our business.

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

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. The following examples are illustrative:

- others may be able to make compounds that are similar to our drug candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;
- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future exclusively license, which could result in the patent applications not issuing or being invalidated after issuing;
- we might not have been the first to file patent applications covering certain of our inventions, which could result in the patent applications not issuing or being invalidated after issuing;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our pending patent applications will not lead to issued patents;
- issued patents that we own or have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- we may obtain patents for certain compounds many years before we receive NDA approval for drugs containing such compounds, and because patents have a limited life, which may begin to run prior to the commercial sale of the related drugs, the commercial value of our patents may be limited;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive drugs for commercialization in our major markets;
- we may fail to develop additional proprietary technologies that are patentable;
- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and
- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our drug candidates for one or more indications.

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

RISKS RELATING TO OUR OPERATIONS

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

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical and scientific personnel. For example, we presently do not have a full-time chief financial officer. Accordingly, we are highly dependent upon our senior management, as well as other key scientific personnel and consultants. In particular, our founder, Dr. Wu, and our senior consultants, Dr. Gudmundsson and Dr. Hill are crucial to our operations. The loss of services of any of these individuals or one or more of our other members of senior management could delay or prevent the successful development of our drug candidates.

Although we have not historically experienced unique difficulties attracting and retaining qualified employees, we could experience such problems in the future. Competition for qualified employees in the biotechnology and pharmaceutical industry is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our senior management or key clinical and scientific personnel, or attract and retain experienced senior management or key clinical and scientific personnel in the future. If one or more of our senior management or key clinical and scientific personnel are unable or unwilling to continue in their present positions or joins a competitor or forms a competing company, we may not be able to replace them in a timely manner or at all, and our drug development progress may be disrupted as a result, which will have a material and adverse effect on our business and results of operations. In addition, we will need to hire additional employees as we expand our commercialization and manufacturing teams. We may not be able to attract and retain qualified employees on acceptable terms.

We may encounter difficulties in managing our growth and expanding our operations successfully.

As we seek to advance our drug candidates through clinical trials, we will need to expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with various strategic partners, suppliers and other third parties. Future growth will impose significant added responsibilities on members of management. Our future financial performance and our ability to commercialize our drug candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to manage our development efforts and clinical trials effectively and hire, train and integrate additional management, administrative and sales and marketing personnel. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing our company.

We experienced net operating cash outflow during the two years ended December 31, 2017 and the three months ended March 31, 2018.

We had net cash used in operating activities of RMB12.5 million, RMB198.1 million and RMB45.7 million for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018. See "Financial Information — Liquidity and Capital Resources — Cash Flows — Operating

Activities." While our Directors believe that we have sufficient funds to finance our current working capital requirements, our operating cash flows may be adversely affected by factors that are beyond our control. We cannot assure you that we will not experience net operating cash outflow in the future. If we are unable to maintain adequate cash inflows, we may default on our payment obligations and may not be able to meet our capital expenditure requirements which may in turn have a material adverse impact on our business, financial position, results of operations and prospects.

We may be subject to product liability lawsuits.

We face an inherent risk of product liability caused by our drugs. Any such product liability claims may include allegations of defects in manufacturing, defects in design, improper, insufficient or improper labelling of products, insufficient or misleading disclosures of side effects or dangers inherent in the product, negligence, strict liability and a breach of warranties. If we cannot successfully defend ourselves against 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. There is also risk that third parties we have agreed to indemnify could incur liability. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our drug candidates or any resulting products;
- injury to our reputation;
- withdrawal of clinical trial participants;
- 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;
- the inability to commercialize our drug candidates; and
- a decline in our Share price.

If we are unable to defend ourselves against such claims in the PRC, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our products are found to be defective. In addition, we may be required to recall the relevant products, suspend sales or cease sales. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

Existing PRC laws and regulations do not require us to, nor do we, maintain liability insurance to cover product liability claims. Any product liability insurance for clinical trials, when obtained, may be prohibitively expensive, or may not fully cover our potential liabilities. Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of drug candidates we develop. We currently carry product liability insurance covering our clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. As of the Latest Practicable Date, we were not involved in any litigations and legal proceedings that may materially affect our research and development of our drug candidates, business and results of operations. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately after completion of the Capitalization Issue and the [REDACTED], assuming the [REDACTED] is not exercised, our Controlling Shareholders will hold (including direct and indirect shareholdings) approximately [REDACTED]% of the issued share capital in our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

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

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

Counterfeits of our products and illegal anti-viral drugs could negatively affect our sales and our reputation and expose us to liability claims.

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 the PRC, 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 our sales volume of the relevant products. Moreover, counterfeit products may or may not have the same chemical composition as our products do, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The existence and prevalence of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in recent years from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in China among consumers,

and may harm the reputation of companies like us. In addition, there may be anti-viral drugs illegally imported into the PRC market, often at a lower price. These drugs may compete against and lower demand for drugs legally manufactured and sold in China. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products and illegal anti-viral drugs in the market could affect our sales and reputation and expose us to liability claims.

We benefit from certain preferential tax and financial incentives, the expiration of or changes to which could adversely affect our profitability.

We benefit from certain preferential tax treatments, as well as tax concessions in relation to our research and development costs. Ascletis BioScience and Ascletis Pharmaceuticals were qualified as High and New Technology Enterprises during the two years ended December 31, 2017 and the three months ended March 31, 2018, and as a result, enjoy from a preferential PRC income tax rate of 15%, compared with the 25% income tax rate generally applicable to PRC tax resident enterprises under the EIT Law. Each of Ascletis BioScience and Ascletis Pharmaceuticals have been accredited as a High and New Technology Enterprise for a three-year period commencing from 2016 and 2017, respectively. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we had tax losses and therefore did not have income tax obligations. As the NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have begun to commercialize Ganovo® (danoprevir), we may have income tax obligations in the future. We plan to renew these qualifications in due course. However, if our PRC subsidiaries fail to renew their qualifications as High and New Technology Enterprises, the applicable enterprise income tax rate would increase to 25%, which may have a material adverse effect on our financial condition and results of operations. In addition, since the commencement of manufacturing of danoprevir, Ascletis Pharmaceuticals will also enjoy certain preferential tax treatment.

In addition, the current or future preferential tax treatments, tax concessions, tax allowances and financial incentives applicable to us may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. For example, on November 27, 2014, the State Council issued the Notice on Cleaning Up and Regulating Taxation and Other Preferential Policies (國務院關於清理規範税收等優惠政策的通知) (the "**Preferential Policies Notice**"), which required local governments and government agencies to review and clean up the preferential policies they have promulgated, and to abolish preferential policies that are in violation of state laws and regulations. On May 10, 2015, the State Council issued a notice suspending the clean-up of preferential policies set out in the Preferential Policies Notice until further notice. For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, we recorded government grants income in the amounts of RMB2.0 million, RMB31.4 million, nil and RMB1.8 million, respectively. Due to the Preferential Policies Notice and further potential changes in government policies, we cannot be certain of the level of government grants we will receive in the future. Our post-tax profitability and cash flows may be adversely affected as a result of one or more of these or other factors.

Fair value changes for our financial assets at fair value through profit or loss may materially and adversely affect our financial condition and results of operations.

According to the accounting policies applicable to us, financial assets at fair value through profit or loss are measured at fair value with changes in fair value arising from remeasurement recognized in profit or loss. Such treatment of gain or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

If we fail to comply with environmental, health and safety laws and regulations, we could be 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 involve the use of hazardous and flammable materials, including chemicals. Our operations also produce hazardous waste products. 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 or our or third parties' disposal 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.

We may incur substantial costs in order 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.

We maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of 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 or disposal of hazardous or radioactive materials.

We may face penalties for the non-registration of our lease agreements in China.

As of the Latest Practicable Date, none of our lease agreements had completed lease registration with relevant regulatory authorities. Non-registration of lease agreements does not affect the validity of such lease agreements. However, pursuant to the requirements of the Administrative Measures for Commodity House Leasing and relevant local rules, we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations imposed by local authorities. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. We intend to register future lease agreements to the extent practicable. However, we cannot assure you that we would not be subject to any penalties and/or requests from local authorities to fulfill the registration requirements, which may increase our cost, in the future.

Our internal computer systems, or those of our CROs 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, and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such system failure, accident 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 research and development programs. For example, the loss of clinical trial data from ongoing or future clinical trials for any of our drug candidates could result in delays in regulatory approval efforts and significantly increase costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our drug candidates could be delayed.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. During the two years ended December 31, 2017 and the three months ended March 31, 2018 and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, and other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

We could be adversely affected by violations of anti-bribery laws.

We are subject to anti-bribery laws in China that generally prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities we acquire. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the federal government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and/or disciplinary actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violated such laws.

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

A number of governmental agencies or industry regulatory bodies in China impose strict rules, regulations and industry standards governing pharmaceutical and biotechnology research and development activities, which apply to us. In addition, we are also subject to laws and regulations with respect to our overall operations. We may be unable to comply with such laws and regulations as they continue to change and evolve, or due to differences in national, provincial or local laws and regulations, or their implementation or enforcement. Our failure to comply with such regulations could result in the termination of ongoing research, administrative penalties imposed by regulatory bodies or the disqualification of data for submission to regulatory authorities. These could harm our reputation, prospects for future work and operating results.

Our reputation is important to our business success. Negative publicity may adversely affect our reputation and business prospect.

Any negative publicity concerning us, our affiliates or any entity that shares the "Ascletis" 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 "Ascletis" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO 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.

Our research operations and manufacturing facilities are in China, which we believe confers clinical, commercial and regulatory advantages. 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. See "Regulations" for a discussion of regulatory requirements that are applicable to our current and planned business activities in China. 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 current benefits we believe are available to us from developing and manufacturing drugs in China. PRC authorities have become increasingly vigilant in enforcing laws in the pharmaceutical industry and any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach is aligned with the PRC government's policies, but we cannot ensure that our strategy and approach will continue to be aligned.

PRC economic, political, social conditions as well as government policies could adversely affect our business, financial condition, results of operations and prospects.

During the two years ended December 31, 2017 and the three months ended March 31, 2018, all of our business operation were located in China. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, China was primarily a planned economy. In recent years, the PRC Government has been reforming the PRC economic system and government structure. It has implemented measures emphasizing the utilization of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. However, the PRC Government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 6.9% in 2017, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. The PRC Government's economic, political and social policies, including those related to our industry may materially and adversely affect our business, financial position, results of operations and prospects.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in China and is governed by PRC laws and regulations. Our business operation is supervised by competent regulatory authorities in China. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC Government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. Moreover, we cannot predict the effect of future developments in the PRC legal system and regulatory structure. Such unpredictability towards our contractual, property and procedural rights as well as our rights licensed, approved or granted by the competent regulatory authority could adversely affect our business and impede our ability to continue our operations. 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, if at all) that some rules may have a retroactive effect. Hence, we may not be aware of violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

We are subject to foreign exchange fluctuations. In 2016, we recorded net foreign exchange gain of RMB12.3 million, which was non-recurring in nature. The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. A substantial majority of our future revenue is expected to be denominated in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses

to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC Government has placed increasingly stringent restrictions on the convertibility of the Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

The Company may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their global income. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009 and July 2011, SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises, however, no official implementation rules have been issued regarding the determination of the "de facto management body" for foreign enterprises that are not controlled by PRC enterprises. Being regarded as a PRC resident enterprise may materially and adversely affect our profit and hence our retained profit available for distribution to our Shareholders.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the EIT law, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC enterprise income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed "— The Company may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax", dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (國家税務總局關於發佈〈非居民納税人享受税收協定待遇管理辦法〉的公告) (the "**Circular 60**"), which was issued on August 27, 2015. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under the Circular on Relevant Issues relating to Beneficial Owner under Tax Treaties (國家税務總局關於税收協定中"受益所有人"有關問題的公告) (the "**Circular 9**") will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

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

We operate our core businesses through our operating subsidiaries in China. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

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

Under the EIT Law, if a foreign entity is deemed to be a "non-resident enterprise" as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the *Arrangement between the Mainland of China and 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), dividends paid by a PRC foreign-invested enterprise to its shareholder(s) incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interests in

the PRC foreign-invested enterprises. The SAT promulgated the Circular 9 on February 3, 2018, which addresses the methods to determine the "beneficial owners" under the treaty articles on dividends, interest and royalties. According to the Circular 9, the PRC tax authorities must evaluate whether an applicant qualifies as a "beneficial owner" on a case-by-case basis.

If our Hong Kong subsidiary holds any equity interest in a PRC subsidiary in the future, based on the abovementioned principles, PRC tax authorities would not consider our Hong Kong subsidiary as the "beneficial owner" of any dividends paid from our PRC subsidiaries and would deny the claim for the reduced rate of withholding tax. Under the current PRC tax law, if our Hong Kong subsidiary is not considered as a "beneficial owner," dividends from our PRC subsidiaries to our Hong Kong subsidiary being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends in the future.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us, our Directors and senior management.

All of our assets, and a significant portion of the assets of our Directors and senior management are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons 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) (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 PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of 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 PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

The heightened scrutiny over acquisitions from the PRC tax authorities may has an adverse impact on our business, acquisitions or restructuring strategies.

On February 3, 2015, the SAT promulgated Circular 7, which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial conditions and results of operations.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

The SAFE promulgated Circular 37 on July 4, 2014 to replace the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "**Circular 75**"). According to Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local branch to register foreign exchange for overseas investments before contributing to special purpose vehicles (the "SPVs") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015. Such Notice amended Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with the establishment or control of an offshore entity established for the purpose of overseas investment.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

Any loans provided by our offshore holding companies to our PRC subsidiaries are subject to PRC regulations and such loans must be registered with the local branch of SAFE. Additionally, our capital contributions must be filed with the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on our business, financial conditions and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] for our Shares was the result of negotiations among us and the [REDACTED] (for itself and on behalf of the [REDACTED]) and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We have [REDACTED] for [REDACTED] of and permission to [REDACTED] in our Shares on the Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, liquid public [REDACTED] market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be [REDACTED].

Furthermore, the price and [REDACTED] volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the [REDACTED] to vary significantly from the [REDACTED]:

- our financial results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;

- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies [REDACTED] on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, investors in our Shares may suffer substantial losses.

Since there will be a gap of several days between [REDACTED] and [REDACTED] of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before [REDACTED] of our Shares begins.

The [REDACTED] of our [REDACTED] is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED] date. As a result, investors may not be able to [REDACTED] or [REDACTED] in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time [REDACTED] begins.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to restrictions on its sales of Shares within 12 months from the [REDACTED] as described in "[REDACTED]" in this Document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Statutory and General Information" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors 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 in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

There may be dilution because of issuance of new Shares or equity securities.

In spite of our current cash and cash equivalents and the [REDACTED] from the [REDACTED], we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third-parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

Because the initial [REDACTED] per Share is higher than the net tangible book value per Share, purchasers of our Shares in the [REDACTED] will experience immediate dilution.

The [REDACTED] of our [REDACTED] is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our [REDACTED] may experience further dilution.

Whether and when the dividends will be declared and paid cannot be assured.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under HKFRS. As a result, our operating subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under HKFRS. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our operating

subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including (where required) the approvals from our shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. For further details of the dividends of the Company, please refer to the paragraph headed "Financial Information — Dividends" in this Document.

Certain statistics contained in this Document are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this Document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this Document, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Investors should read the entire Document carefully and should not consider any particular statements in this Document or in published media reports without carefully considering the risks and other information contained in this Document.

Prior to the publication of this Document, there has been coverage in the media regarding us and the [REDACTED], which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Document. 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.

In preparation for the [REDACTED], we have sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules and 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 principal management headquarters and senior management of the Group are primarily based in China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and the Shareholders as a whole. 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 a regular and effective communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorized representatives are Dr. Wu, our chairman, executive Director and chief executive officer, and Mr. Jianjiong WANG, the joint company secretary. Each of our authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the authorized representatives is authorized to communicate on our behalf with the Stock Exchange;

(b) both authorized representatives have means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, our authorized representatives and Directors, we will implement a policy that (i) each Director will have to provide their respective mobile phone number, office phone number, fax number and email address to the authorized representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will endeavour to provide his/her phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone; and (iii) all Directors and authorized representatives of our Company will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange;

(c) in compliance with Rules 3A.19 of the Listing Rules, we have appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**") which has access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. We will keep the Stock Exchange up to date in respect of any change to such details. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, authorized representatives, Directors and other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of all communications and dealings between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of authorized representatives and/or the Compliance Adviser.

JOINT COMPANY SECRETARIES

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

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

We have appointed Mr. Jianjiong WANG and Mr. Lok Kwan YIM as our joint company secretaries. Mr. Jianjiong WANG is our vice director of general affairs. Mr. Jianjiong WANG's biographical information is set out in the section headed "Directors and Senior Management" in the Document. Since Mr. Jianjiong WANG does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 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 Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Jianjiong WANG as our joint company secretary. In order to provide support to Mr. Jianjiong WANG, we have appointed Mr. Lok Kwan YIM, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom which meets the requirements under Rule 3.28 and 8.17, as a joint company secretary to provide assistance to Mr. Jianjiong WANG, for a three-year period from the [REDACTED] so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

Such waiver will be revoked immediately if and when Mr. Lok Kwan YIM ceases to provide such assistance. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Jianjiong WANG, having had the benefit of Mr. Lok Kwan YIM's assistance for three years and will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed "Directors and Senior Management" in this Document for further information regarding the qualifications of Mr. Jianjiong WANG and Mr. Lok Kwan YIM.

WAIVER IN RELATION TO EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Document shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in the Document 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 Document as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

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

WAIVERS AND EXEMPTION FROM COMPLIANCE WITH THE LISTING RULES AND COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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

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

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

Accordingly, we applied to the SFC for, and the SFC [has granted], a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the following grounds:

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

(b) the Accountant's Report for each of the two financial years ended December 31, 2016 and 2017 and the three months ended March 31, 2018 has been prepared and is set out in Appendix I to this Document in accordance with Rule 18A.06 of the Listing Rules;

(c) during the two financial years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, we had 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 Round One Financing and Round Two Financing, the details of which have been fully disclosed in the section headed "History, Reorganization and Corporate Structure" in this Document; and

(d) notwithstanding that the financial results set out in this Document are only for the two years ended December 31, 2016 and 2017 and the three months ended March 31, 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 Document pursuant to the relevant requirements.

WAIVERS AND EXEMPTION FROM COMPLIANCE WITH THE LISTING RULES AND COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Our Company is of the view that the Accountant's Report covering the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, together with other disclosure in this Document, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this Document. Therefore, the exemption would not prejudice the interests of the investing public.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Jinzi Jason WU (吳勁梓)	6, Fuchun Road Shangcheng District Hangzhou, Zhejiang PRC	American
Judy Hejingdao WU (何淨島)	6, Fuchun Road Shangcheng District Hangzhou, Zhejiang PRC	American
Non-executive Director		
Wei FU	134 Ocean Drive Singapore	Singaporean
Independent non-executive Directors		
Ru Rong JI	126 Jewell Drive Chapel Hill North Carolina United States	American
Yizhen WEI (魏以楨)	167 North Lishi Road Xicheng District Beijing PRC	Chinese
Jiong GU (顧炯)	A28-2 3333, Hong Mei Road Minhang District Shanghai PRC	Chinese
Lin HUA (華林)	Unit 3, Building 1 15 Wanshou Road Haidian District Beijing PRC	Chinese

Please see the section headed "Directors and Senior Management" in this Document for further details of our Directors.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

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

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

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

[REDACTED]

Legal advisors to our Company

As to Hong Kong and United States laws:

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC laws:

Tian Yuan Law Firm
10/F, CPIC Plaza
No. 28 Fengsheng Lane
Xicheng District
Beijing
PRC

AS to Cayman Islands laws:

Walkers
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Legal advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Paul Hastings** 21st - 22nd Floor, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing PRC
Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B Green Center 500 Yunjin Road Shanghai PRC
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Receiving Bank[s]	[●]

CORPORATE INFORMATION

Registered Office	c/o Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Corporate Headquarters	Floor 18, Bldg No. 4, Gemini International No. 1785, Jianghan Road Binjiang District Hangzhou Zhejiang Province PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's Website	www.ascletis.com *(information on this website does not form part of this Document)*
Joint Company Secretaries	Mr. Jianjiong WANG Mr. Lok Kwan YIM *(a fellow member of The Hong Kong Institute of Chartered Secretaries and of The Institute of Chartered Secretaries and Administrators in the United Kingdom)*
Authorized Representatives	Dr. Wu Mr. Jianjiong WANG
Audit Committee	Mr. Jiong GU (Chairman) Dr. Yizhen WEI Ms. Lin HUA
Remuneration Committee	Ms. Lin HUA (Chairman) Dr. Yizhen WEI Dr. Ru Rong JI
Nomination Committee	Dr. Wu (Chairman) Dr. Ru Rong JI Ms. Lin HUA

CORPORATE INFORMATION

Principal Share Registrar and Transfer Office in Cayman Islands	[REDACTED]
Hong Kong Share Registrar	[REDACTED]
Principal Bank	**Bank of China, Hangzhou Binjiang Branch** No. 3806, Jiangnan Avenue Binjiang District Hangzhou Zhejiang Province PRC

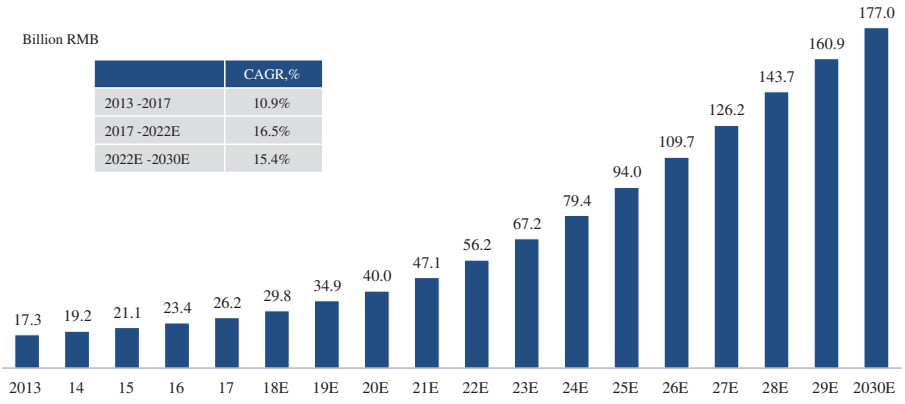
Certain information and statistics set out in this section and elsewhere in this Document relating to the industry in which we operate are derived from the F&S Report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. The information extracted from the F&S Report should not be considered as a basis for investments in the [REDACTED] or as an opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the F&S Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other parties involved in the [REDACTED] or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this Industry Overview section is derived from the F&S Report.[(1)]

THE ANTI-VIRAL DRUG MARKET IN CHINA

Overview

The anti-viral drug market was a RMB26.2 billion market in China in terms of 2017 revenue. The anti-viral drug market primarily includes drugs for HBV, HCV and HIV. Hepatitis B, hepatitis C and AIDS are the predominant diseases among all viral diseases and collectively accounted for approximately 80% of the market in terms of 2017 anti-viral drug sales revenue. The total anti-viral drug market has grown steadily at a CAGR of 10.9% from 2013 to 2017. In the next decade, as innovative HCV drugs will become increasingly available in China, and as a result of rising treatment rates for hepatitis C patients, the anti-viral drug market in China will grow steadily to RMB56.2 billion and RMB177.0 billion in 2022 and 2030, respectively. The HCV drug market in China will amount to approximately RMB47.0 billion in 2028, representing an approximately 33% share of the overall anti-viral drug market in China.

The following chart sets forth the anti-viral drug market in China for the period indicated.



Source: Frost & Sullivan analysis

(1) The contract sum to Frost & Sullivan is RMB600,000 for the preparation and use of the F&S Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environments in China will remain stable during the forecast period, which will ensure a sustainable and steady development of the pharmaceutical industry in China; (ii) the pharmaceutical market in China is expected to grow as expected due to increasing medical demand and healthcare expenditure as well as improving R&D capabilities of domestic biotechnology companies; (iii) the PRC government will continue to support healthcare reform by favorable policies, such as expansion of national medical insurance system, reducing entry barriers for domestic innovative pharmaceutical products listed as reimbursable drugs.

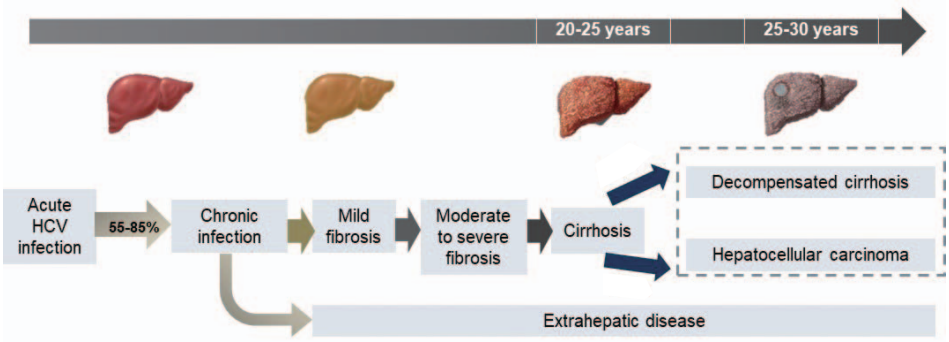
Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

Hepatitis C

Hepatitis C is a widespread and infectious liver disease caused by HCV, commonly transmitted through unsafe healthcare procedures, poorly sterilized medical equipment and transfusion of unscreened blood and blood products. HCV is one of the leading causes of chronic liver disease, including cirrhosis and liver cancer, in China.

There is no vaccine for HCV, and most patients experience minimal or no symptoms during the initial infection. For this reason, many are unaware that they are infected and do not get tested, diagnosed or treated until the disease has progressed to cirrhosis or liver cancer, and becomes much more difficult and expensive to treat. See "— Liver Cancer."

The following diagram illustrates the progression of HCV infection.



Source: WHO, Frost & Sullivan analysis

Patient Population

Hepatitis C had a prevalence rate of 1.82% in China, with an estimated 25.2 million HCV-infected patients in 2017. Diagnosis rate of hepatitis C has historically been low due to the lack of awareness and effective treatment for the disease and the relatively minimal symptoms experienced by most patients. As a result of the lack of breakthrough therapies against HCV, only approximately 74,000 patients within this large patient pool were treated in 2017, representing a treatment rate of only 0.3%. With approximately 350,000 new infections and 2,000 re-infections in 2017, annual new infections and re-infections of HCV have outpaced the number of treated patients primarily due to low disease awareness, diagnosis rate and treatment rate.

New and more effective therapies for HCV were approved and commercialized in China in 2017, and it is expected that new therapies with even better efficacy and safety profiles will be launched in China in the next few years. After the launch of curative DAA regimens for HCV, such as Sovaldi, in the United States, HCV treatment rates tripled to reach 7.2% in 2016 from 2.4% in 2013, and sales revenue of DAA drugs significantly increased from US$387.3 million in 2012 to US$9,545.5 million in 2016. Similarly, the launch of effective therapies is expected to increase HCV treatment rate in China from 0.3% in 2017 to 4.5% in 2028. Despite the effective HCV therapies available, annual new infections are expected to continue to outpace the number of treated patients in the coming years. New infections are expected to increase to 410,000 in 2028 from 350,000 in 2017 as a result of an expanding patient population with a high risk for HCV, such as those with renal or venereal diseases and changes in lifestyles including increasing incidents of invasive procedures that are iatrogenic (such as gastrointestinal examination) and non-iatrogenic (such as body and lip tattooing and microblading of eyebrows), as well as from unhygienic needle use, such as drug addiction.

The following table sets forth key historical and forecast statistics of the HCV treatment market in China for the period indicated.

HCV Market in China

	17	18E	19E	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Total population (million)	1,390.1	1,399.4	1,407.9	1,416.2	1,423.8	1,430.9	1,437.3	1,443.1	1,448.7	1,455.9	1,460.3	1,461.7	1,460.3	1,457.4
Newly infected patients (million)	0.35	0.35	0.35	0.35	0.36	0.36	0.37	0.38	0.38	0.39	0.40	0.41	0.42	0.42
Re-infected HCV patients (million)	0.002	0.003	0.003	0.003	0.004	0.005	0.009	0.015	0.023	0.036	0.048	0.056	0.056	0.055
Prevalence rate	1.82%	1.83%	1.84%	1.85%	1.86%	1.87%	1.88%	1.88%	1.89%	1.87%	1.85%	1.82%	1.77%	1.73%
Total infected HCV population (million)	25.2	25.5	25.8	26.1	26.4	26.7	27.0	27.2	27.3	27.3	27.0	26.5	25.9	25.2
Treatment rate	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	0.7%	1.2%	1.8%	2.8%	3.7%	4.5%	4.5%	4.6%
Treated HCV patients	74,000	75,600	78,750	84,800	94,725	122,020	188,600	316,220	497,900	756,000	1,000,000	1,187,000	1,174,060	1,149,530

Source: Frost & Sullivan analysis

HCV Patient Population by Genotype

HCV is classified into six genotypes based on their genetic differences, with several subtypes within each genotype (represented by lower-cased letters, i.e. genotype 1a). HCV genotype 1b is the most common genotype in China, representing 56.8% to 73.1% of the total patient population between 2009 to 2013. The following table sets forth a breakdown of the HCV patient population in China by genotype in 2017.

Distribution of HCV by Genotype in China

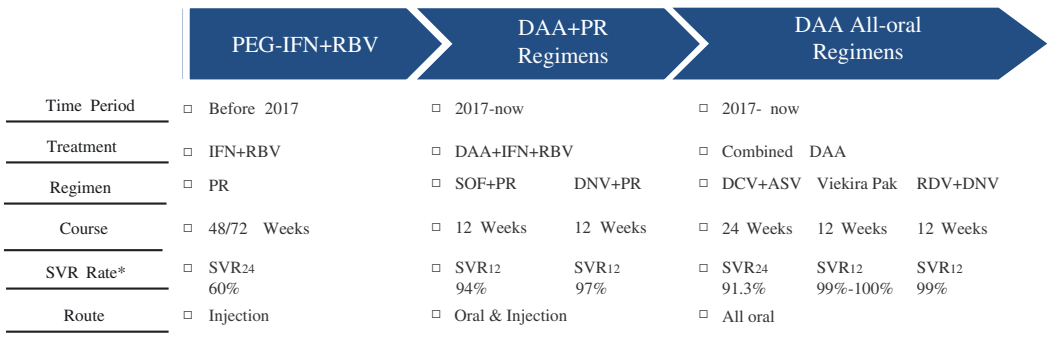
HCV genotype	Distribution of HCV genotype[(1)]	Patient Population (million)
1a	0.4%-1.4%	0.1-0.4
1b	56.8%-73.1%	14.3-18.4
2a or 2c	15.2%-18.5%	2.8-4.6
3a	3.2%-3.5%	0.8-0.8
3b	1.8%-5.2%	0.4-1.3
4	0.0%	0
5	0.0%	0
6a or 6b	2.5%-5.7%	0.6-1.4

(1) Percentage distribution of HCV by genotype generally remains stable over an extended period of time, and therefore the percentage distribution between 2009 to 2013 is representative of that in 2017. As such, percentage of HCV patient population by genotype in 2017 is estimated based on such percentages.

Source: Literature research, Frost & Sullivan analysis

HCV Treatments

The diagram below sets out a summary of the current and upcoming HCV therapies in China.



* *SVR rate refers to sustained virological response rate, which defined as 12 and 24 weeks after completion of treatment for HCV infection (SVR 12 and SVR 24), levels of HCV RNA fall below a certain threshold, indicating that the patient is cured.*

** *PR refers to pegylated interferon and ribavirin*

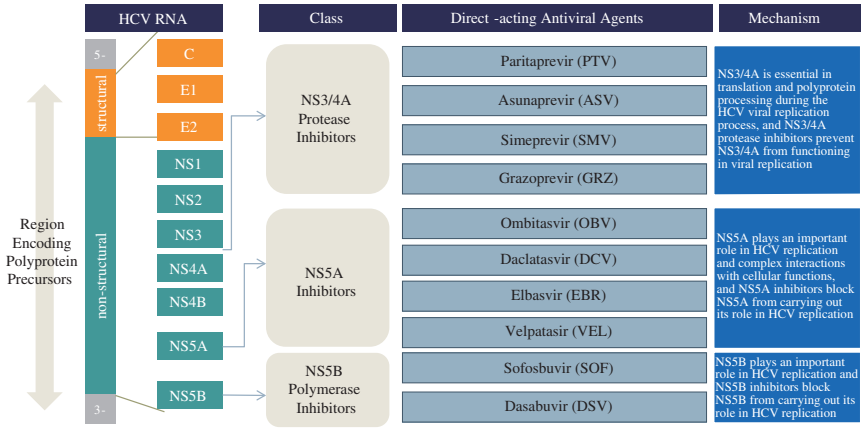
Source: Frost & Sullivan analysis

Current Therapy

The current primary regimen for HCV in China is a combination therapy of pegylated interferon and ribavirin. Pegylated interferon is administered on a weekly basis via subcutaneous injections and ribavirin is administered orally daily. This therapy has a cure rate of only 60% (SVR24) and is lengthy at 48 to 72 weeks. As such, effective treatments for HCV have been highly anticipated by patients and doctors.

New Therapies

DAA drugs, which have been available in the United States since 2011, are inhibitors that act directly against proteins involved in the HCV replication process to prevent further viral infection. There are 10 polyproteins encoded by the HCV genome, three of which are structural proteins and seven are non-structural (NS) proteins. Among these proteins, NS3/4A, NS5A, and NS5B are the only three validated DAA targets. The following diagram sets forth an introduction to the mechanism of different types of DAAs for HCV approved in China.



Source: Frost & Sullivan analysis

In recent years, the PRC government has adopted policies to promote innovative drug development and HCV awareness-raising. The PRC government has also prioritized drug innovation programs to expedite drug discovery for hepatitis, HIV and liver diseases, which has led to the approval of seven DAAs for HCV by the CFDA. These DAAs represent a new generation of HCV therapy in China. Currently, the approved DAA regimens are either DAA + PR Regimens or DAA All-oral Regimens.

- DAA + PR Regimens offer a far higher cure rate of 94% to 97% and a shorter treatment period of 12 weeks.

- DAA All-oral Regimens have a cure rate of above 90% and a short treatment period of 12 to 24 weeks. Moreover, DAA All-oral Regimens are suitable for patients who cannot tolerate interferon-based therapies.

Competitive Landscape

With the introduction of DAAs for HCV in 2017, the competitive landscape for HCV treatment in the PRC market is expected to change significantly. The current primary regimen of pegylated interferon and ribavirin is expected to be completely replaced by DAA treatments by 2023.

The following table sets forth the DAAs that are approved by the CFDA and other known domestically-developed DAAs that are in or have completed phase III clinical trials in China.

Company	Product tradename/Generic name/Code	Target	Indication	Treatment regimen	SVR	Treatment duration	Approved status	Classification	Pricing (RMB)
Gilead	Sovaldi	NS5B	GT1	SOF+PR	94%	12 weeks	NDA approved in September 2017	Category 5 drug	58,980[4]
			GT1	SOF+RBV	95%	24 weeks			117,960
			GT2		92%	12 weeks			58,980
			GT3		95%	24 weeks			117,960
	Epclusa	NS5B+NS5A	GT1[2]	SOF+VEL	98.4%	12 weeks	NDA approved in May 2018	Category 5 drug	N/A[3]
			GT2		100%				
			GT3		95%				
			GT4		100%				
			GT6		100%				
BMS	Daklinza/Sunvepra[1]	NS5A+NS3/4A	GT1b	DCV+ASV	91%	24 weeks	NDA approved in April 2017	Category 5 drug	57,810
AbbVie	Viekirax/Exviera[1]	NS5A/NS3/4A+NS5B	GT1b	OBV/PTV+DSV	99.5%	12 weeks	NDA approved in September 2017	Category 5 drug	58,968
Janssen	Olysio	NS3/4A	GT1	SMV	91%	24/48 weeks	NDA approved in August 2017	Category 5 drug	Not marketed
Merck	Zepatier	NS3/4A+NS5A	GT1	EBR/GRZ	95%	12 weeks	NDA approved in May 2018	Category 5 drug	N/A[3]
Ascletis	Ganovo	NS3/4A	GT1	Danoprevir+PR	97%	12 weeks	NDA approved in June 2018	Category 1 drug	39,996[5]
			GT4		100%				
	Ravidasvir	NS5A+NS3/4A	GT1	Ravidasvir+Danoprevir	99%	12 weeks	Phase III clinical trial completed	Category 1 drug	N/A
		NS5A+NS5B	GT1a	Ravidasvir+SOF	99%	12 weeks			
			GT1b		96%				
			GT2		100%				
			GT3		97%				
			GT4		95%				
			GT6		87%				
HEC Pharm	Yimitasvir	NS5A+NS5B	GT1	Yimitasvir+SOF	N/A	12 weeks	Phase III clinical trial ongoing	Category 1 drug	N/A
Kawin Technology	KW-136	NS5A+NS5B	GT1 to 6	KW-136+SOF	N/A	12 weeks	Phase III clinical trial ongoing	Category 1 drug	N/A

(1) Daklinza and Sunvepra are two DAAs approved by the CFDA and commercialized by BMS as one regimen. Viekirax (comprising two DAAs) and Exviera (comprising one DAA) are approved by the CFDA and commercialized by AbbVie as one regimen.
(2) Data from clinical trials conducted in the United States. Clinical data of Epclusa in China is not available.
(3) Pricing for Epclusa and Zepatier are not available as they were recently approved by the CFDA in May and April 2018, respectively.
(4) Prices represent the price to patients for the sofosbuvir DAA. Pegylated interferon is listed on the national reimbursement drug list.
(5) Prices represent the price to patients for the danoprevir DAA. Pegylated interferon is listed on the national reimbursement drug list.

Source: The CFDA, Frost & Sullivan analysis

Ganovo® (danoprevir), which had first sales in China on June 27, 2018, is the fourth DAA product launched and prescribed in China, according to the F&S Report. The DAA products in China can generally be categorized by treatment period into 12, 24 or 48 week regimens. 12 week regimens can be further categorized into DAA+PR regimens and all-oral DAA regimens. BMS's Daklinza/Sunvepra, Janssen's Olysio and Gilead's Sovaldi plus ribarvirin regimen for HCV genotype 1 and genotype 3 patients have treatment durations of 24 weeks and/or 48 weeks.

- *Cure rate*. Daklinza/Sunvepra and Olysio both demonstrate a 91% cure rate (SVR) for HCV genotype 1b and genotype 1 patients, respectively. Sovaldi plus ribarvirin regimen for HCV genotype 1 and genotype 3 patients had cure rates of 95% (SVR). These cure rates should be considered in light of the fact that they are from non-head-to-head clinical trials.
- *Indication*. Daklinza/Sunvepra and Olysio are effective for HCV genotype 1b and genotype 1 patients, respectively. The 24-week Sovaldi plus ribavirin regimen is effective for HCV genotype 1 and genotype 3 patients.
- *Commercialization status*. Daklinza/Sunvepra, Olysio and Sovaldi are imported drugs that received NDA approval as Category 5 drugs in 2017. Janssen's Olysio is not marketed in China.

- *Pricing*. The sofosbuvir DAA in Gilead's Sovaldi plus ribavirin regimen for HCV genotype 1 and genotype 3 patients is priced at RMB117,960, and Daklinza/Sunvepra is priced at RMB57,810.

Among the 12-week regimens, only Gilead's Sovaldi and our Ganovo® are DAA+PR regimens.

- *Cure rate*. Sovaldi in combination with pegylated interferon and ribavirin for 12 weeks demonstrated a cure rate of 94% (SVR12) for HCV genotype 1 patients in its phase III clinical trial in China, where 98 patients completed such trial. In the phase III clinical trial in which a total of 140 patients completed the Ganovo Regimen (a combination of danoprevir/ritonavir, pegylated interferon and ribavirin for 12 weeks), the Ganovo Regimen demonstrated a cure rate of 97% (SVR12) for HCV genotype 1 patients. These cure rates should be considered in light of the fact that they are from non-head-to-head clinical trials.
- *Indication*. Sovaldi in combination with pegylated interferon and ribavirin is effective for HCV genotype 1 patients. Clinical trials have shown the Ganovo Regimen to be effective for HCV genotype 1 and 4 patients.
- *Commercialization status*. Gilead's Sovaldi is an imported drug that received NDA approval as a Category 5 drug in 2017. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018.
- *Pricing*. The sofosbuvir DAA in Gilead's Sovaldi in combination with pegylated interferon and ribavirin is priced at RMB58,980. The price for the danoprevir DAA is RMB39,996 for the 12-week treatment duration in combination with pegylated interferon and ribavirin.

AbbVie's Viekirax/Exviera, Merck's Zepatier, Gilead's Sovaldi plus ribavirin regimen for HCV genotype 2 patients, Gilead's Epclusa and Ascletis's ravidasvir, are all-oral DAA regimens.

- *Cure rate*. Viekirax/Exviera, Zepatier and Sovaldi plus ribavirin regimen for HCV genotype 2 patients demonstrate cure rates of 99.5%, 95% and 92% (SVR), respectively. Clinical trials of Epclusa in the United States demonstrated cure rates of 98.4%, 100%, 95%, 100% and 100% for HCV genotypes 1, 2, 3, 4 and 6 patients, respectively. The phase III clinical trial of ravidasvir in combination with Ganovo® and ribavirin demonstrated a cure rate of 99% (SVR12) for HCV genotype 1 patients. Two clinical trials of ravidasvir in combination with sofosbuvir demonstrated an overall cure rate of 97% (SVR12) for HCV genotype 1, 2, 3 and 6 patients, and a cure rate of 95% (SVR12) for HCV genotype 4 patients, respectively. These cure rates should be considered in light of the fact that they are from non-head-to-head clinical trials.
- *Indication.* Viekirax/Exviera and Zepatier are effective for HCV genotype 1b and genotype 1 patients, respectively. The 12-week Sovaldi plus ribavirin regimen is effective for HCV genotype 2 patients. Epclusa is effective for HCV genotype 1, 2, 3, 4 and 6 patients. Clinical trials for ravidasvir were conducted for HCV genotype 1, 2, 3, 4 and 6 patients.
- *Commercialization status.* Viekirax/Exviera, Zepatier, Sovaldi plus ribavirin regimen for HCV genotype 2 patients and Epclusa are imported drugs that have received NDA approval as Category 5 drugs. Ravidasvir is domestically developed and has completed a phase III clinical trial in China.
- *Pricing*. Viekirax/Exviera and the sofosbuvir DAA in the Sovaldi plus ribavirin regimen for HCV genotype 2 patients are similarly priced at RMB58,968 and RMB58,980, respectively. Pricing information for Zepatier and Epclusa are currently not available as they were recently approved by the CFDA. Ravidasvir has not been priced.

In addition, there are two 12-week all-oral DAA regimens, namely, yimitasvir and KW-136, which are undergoing phase III clinical trials being developed by domestic PRC companies. The ongoing phase III clinical trial for yimitasvir is for HCV genotype 1 patients and the ongoing phase III clinical trial for KW-136 is for HCV genotype 1 to 6 patients. Information on the cure rates of Yimitasvir and KW-136 are not publicly available.

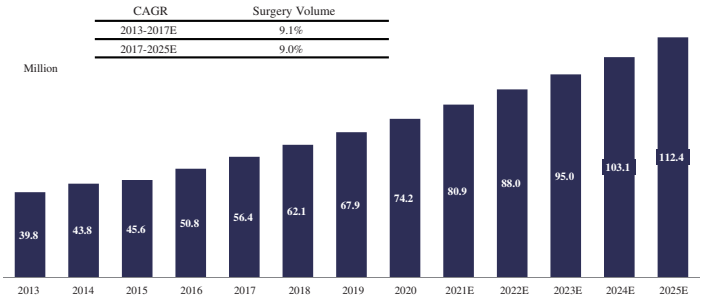
Market Drivers and Trends

Principal market drivers and trends for HCV treatments in China include:

- *Continuously growing HCV patient population.* In 2017, there are an estimated 25.2 million HCV patient population in China, representing the largest HCV patient population in the world. Treatment rate of HCV in China is far behind that of developed countries due to the lack of effective treatments, at only 0.3%, or 74,000 treated patients, in 2017. Even as treatment rates rise as a result of the introduction of better HCV therapies, the rate of new infections and re-infections are still estimated to outpace the number of treated patients in the coming years. New infections of HCV is expected to increase to 410,000 in 2028 from 350,000 in 2017 as a result of an expanding patient population with a high risk for HCV, such as those with renal or venereal diseases, and changes in lifestyles including increasing incidents of invasive procedures that are iatrogenic (such as gastro-intestinal examination) and non-iatrogenic (such as body and lip tattooing and microblading of eyebrows), as well as from unhygienic needle use, including use from drug addiction. These factors together will cause the HCV patient population to grow continuously to reach 27.3 million in 2025 despite the availability of curative treatments.
- *Increasing awareness.* The PRC government has introduced policies to raise awareness for HCV and boost diagnosis rate. For example, NHFPC introduced the standard "Screening and Management of Hepatitis C Virus," which sets out classifications of HCV infections, procedures for screening and

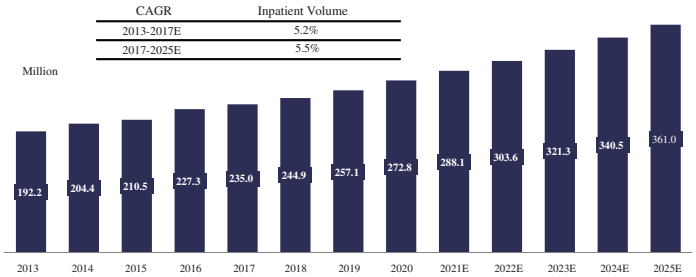
management of HCV patients by specialists at hospitals and healthcare institutions. The "National Planning for Prevention and Control of Viral Hepatitis" was also introduced in October 2017, which requires all hospitals and healthcare institutions to implement and perform screening and diagnosis of hepatitis B and C for all patients prior to (i) surgical procedures, (ii) hospitalization, (iii) hemodialysis, and (iv) invasive diagnosis and treatments. Diagnosis and treatment rates for HCV are expected to increase as HCV screening and diagnosis become increasingly required for medical procedures in China and as surgery volume and inpatient volume increase steadily. The following charts set forth the historical and forecast surgery and inpatient volume in China for the period indicated.

Historical and Forecast Surgery Volume in China, 2013-2025E



Source: NHFPC, Frost & Sullivan analysis

Historical and Forecast Inpatient Volume in China, 2013-2025E



Source: NHFPC, Frost & Sullivan analysis

In response to the goal set by the World Health Organization to eliminate HCV by 2030 and in line with policies put forth by the PRC government, regional governmental authorities, non-governmental organizations, pharmaceutical companies and others in the medical community have taken initiatives to raise awareness of HCV to increase the diagnosis rate. For example, the Zhejiang Medical Association, Ascletis and other parties initiated the Zhejiang HCV Free Initiative in August 2017, which aims to provide treatment for 50% of the HCV patient population in Zhejiang province by the end of 2020, and cure 90% of the patients receiving treatment. In addition, the CDC, third party laboratories and pharmaceutical companies, including Ascletis, have come together to form the Eliminate HCV in China Alliance to raise HCV awareness, provide testing and diagnosis of HCV and relevant training for doctors to promote the use of DAA drugs in clinical practice. The work of the Eliminate HCV in China Alliance will commence in regions with high HCV prevalence, such as Hebei, Jiangsu and Shaan'xi provinces, and expand nationwide.

- *Accessibility of high efficacy treatments.* The current HCV market in China is dominated by the current primary regimen of pegylated interferon and ribavirin, which has a low cure rate of approximately 60% (SVR24), a long treatment duration of 48 to 72 weeks and considerable side effects. Recently in 2017, four DAA regimens have been approved by the CFDA and launched in China, with more DAA regimens at late-stage clinical trials. New and more effective treatments for HCV are expected to become accessible to HCV patients in China.
- *Increasing affordability.* Currently, the current primary regimen is covered under the NRDL and PRDL. The PRC government has made significant strides in enhancing the affordability of healthcare services through the healthcare reform. Medical insurance coverage has been expanded in 2017 to cover new drugs and Category 1 drugs may enjoy preferential treatment in terms of reimbursement. As a result, innovative new HCV treatment regimens have more opportunities to be listed in the NRDL or PRDL, which will improve affordability and allow greater market access. At the same time, commercial medical insurance has become more common for payment of high-end private medical services and to supplement government medical insurance. Driven by rapid development of the PRC economy, household income levels have increased significantly. Households with annual disposable incomes of over US$20,000 accounted for 44.3% of total households in 2017, and is expected to

increase to 88.0% by 2025. Households with annual disposable incomes of over US$30,000 accounted for 28.6% of total households in 2017, and is expected to increase to 65.0% by 2025. Middle class and above households have more spending power and are increasingly willing to spend on curable and life-threatening diseases.

- *Rising treatment rate.* HCV treatment rate in China was estimated to be 0.3% in 2017. In the United States, treatment rates for HCV tripled to reach 7.2% in 2016 from 2.4% in 2013, primarily due to the introduction of curative DAA treatments such as Sovaldi. For a chronic disease such as HCV, many patients delay treatment until a better therapy becomes available, and Sovaldi's launch in the United States significantly boosted HCV treatment rates. As curative treatments become more accessible in China, treatment rates are expected to increase to 4.5% by 2028.
- *Favorable policies for innovative drugs.* The CFDA has introduced policies such as *Reform of Review and Approval System for Drugs and Medical Devices to Encourage 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) and *Opinions of Implementing Priority Review and Approval to Encourage Drug Innovation* (關於鼓勵藥品創新實行優先審評審批的意見) to provide faster approval for innovative drugs. According to *Opinions for Implementing Priority Review and Approval to Encourage Drug Innovation* (關於鼓勵藥品創新實行優先審評審批的意見) issued by the CFDA in December 2017, Category 1 drugs and drugs listed in national major science and technology projects, such as the National Science and Technology Major Project for "Innovative Drug Development" under the 13th Five-year Plan, fall within the scope of drugs that may enjoy priority review and approval. In 2016, CFDA announced ten drug candidates from seven companies like Ascletis and Gilead for HCV treatment that would likely undergo Priority Review. PRC domestic companies are required to pass inspections on manufacturing facilities for drug registration and GMP certification before obtaining NDA approval, but such requirements are not enforced for foreign companies and imported drug candidates. As a result, some imported drug candidates are able to receive CFDA approval before PRC domestic counterparts that file NDA within a similar time frame, even though some of these PRC domestic drug candidates have been designated for Priority Review. In addition, the NHFPC has designated certain innovative projects as National Science and Technology Major Project for "Innovative Drug Development" under the 13th Five-year Plan. These projects provide preferential treatment to innovative new drugs in terms of market access. In addition to supporting innovative drugs, government policies such as the 13th Five-year Plan for National Strategic Emerging Industry Development ("十三五" 國家戰略性新興產業發展規劃) have also been introduced to support domestic PRC biotechnology companies. Moreover, it has been observed that the prices of some of these innovative drugs, when listed in NRDL, were cut at a lower point (such as 11% and 17%) compared to the industry average of 37%.

Entry Barriers

The following are major entry barriers in the HCV drug market in China.

- *Complete pipeline of effective treatments.* Companies that are able to offer a portfolio of high efficacy, safe and tolerable treatments covering DAA + PR Regimens and DAA All-oral Regimens that meet the needs of a wide range of HCV patients are expected to gain market share in China.
- *Higher bar for regulatory approval.* DAA treatments are developed to become more efficacious which are expected to set a higher bar of regulatory approval for new drugs. Moreover, treatments that are unable to meet or become the new best-in-class drugs may not be competitive in the market despite obtaining NDA approval.
- *Complex and lengthy regulatory approval process.* The regulatory approval process for drug development in China is a complex and lengthy process. There are a number of approvals and permits required to be obtained by the pharmaceutical company at various stages of drug development, including the IND approval and NDA approval, which require a significant amount of application materials, such as clinical and research data. The entire drug development and review process may take years to be completed, and CFDA may eventually reject the NDA of the drug candidate.
- *Capital expenditure.* Drug development requires significant research and development investment for compound discovery, pre-clinical studies and clinical trials. Moreover, additional capital expenditures are needed to support an integrated platform with both manufacturing and commercialization capabilities. Companies are required to have a strong capital platform to be able to fund the capital expenditures necessary for drug development.

HIV/AIDS

The human immunodeficiency virus (HIV) is an infectious virus that is primarily transmitted through certain body fluids and attacks the immune system. Patients with HIV have a weakened immune system that is more susceptible to other infections and diseases. In 2017, 1.1 million people are living with HIV in China, with approximately 100,000 new infections in the same year. Without any cure for HIV and due to the inaccessibility to HIV medication, sharing unsterilized needles and social stigma surrounding HIV, HIV patient population in China is expected to grow to 1.73 million in 2025.

HIV/AIDS is a chronic disease and has no cure. Current HIV medicine have been relatively effective in helping patients with HIV lead longer lives and preventing HIV transmission, thereby improving quality of life. The currently available primary therapy for HIV in China is a combination therapy of nucleos(t)ide reverse

transcriptase inhibitors (NRTIs) and non-nucleos(t)ide reverse transcriptase inhibitors (NNRTIs). Although such combination therapy is available in China and covered by the National Free Antiretroviral Treatment Program, patients taking such therapy, such as Lopinavir, may develop drug resistance and have low treatment compliance. The following table sets forth HIV medication currently available in China.

Stage of Life Cycle	Class	Medications		Fixed Dosage Combinations
1 Binding	CCR5 Antagonist	Maraviroc (MVC)		
2 Fusion	Fusion Inhibitors	Enfuvirtide (T-20)		
3 Reverse Transcription	Nucleoside Reverse Transcriptase Inhibitors (NRTIs)	Zidovudine (AZT)*	Abacavir (ABC)	Zidovudine+Lamivudine (AZT+3TC)
		Lamivudine (3TC)*	Stavudine (d4T)	Abacavir+Zidovud ine+Lamivudine (ABC+AZT+3TC)
		Tenofovir (TDF) *	Emtricitabine (FTC)	Abacavir+Lamivudine (ABC+3TC)
	Non-nucleoside Reverse Transcriptase Inhibitors (NNRTIs)	Efavirenz (EFV)*	Etravirine (ETR)	Tenofovir+Emtricitabine (TDF+FTC)
		Nevirapine (NVP)*	Rilpivirine (RPV)	Tenofovir+Emtricit abine+Rilpivirine (TDF+FTC+RPV)
4 Integration	Integrase Strand Transfer Inhibitors	Dolutegravir (DTG)	Raltegravir (RAL)	
7 Budding	Protease Inhibitors	Lopinavir/Ritonavir (LPV/r) Darunavir(DRV)	Indinavir(IDV) Atazanavir(ATV)	

Note:

* Highlighted are the free medications under National Free Antiretroviral Treatment Program.

** In China, TDF or AZT+3TC+EFV or NVP are the first-line treatment for initial HIV therapy.

Source: the CFDA, HIV treatmental guideline, Frost & Sullivan analysis

Protease inhibitors block the virus in various stages of its life cycle and prevent the virus from replicating. Protease inhibitor-based treatment is recommended as a primary therapy under guidelines of the U.S. Department of Health and Human Services. Darunavir, which is the current best-in-class protease inhibitor, had over 85% share of the protease inhibitor-based treatment market in the US, but is not commercialized in China. Currently, lopinavir is the only protease inhibitor marketed in China. Due to the high rate of mutations that occur in HIV, currently available protease inhibitors are ineffective in treating patients the virus mutates. Moreover, because these HIV treatments require lifelong use, patients may experience significant side effects associated with prolonged use. Given the large and growing HIV population in China, new therapies with improved efficacy and safety profiles are needed to address these unmet medical needs.

Although the PRC government has launched anti-HIV programs that provide free medication to eligible patients since 2003, a number of treatments are still paid by patients out-of-pocket. Lopinavir is included in the government purchase program, which provides basic therapy for eligible HIV patients. New and effective treatments may also enjoy reimbursement opportunities given the significant unmet medical needs.

The following table sets forth the key historical and forecast statistics of the HIV treatment market in China for the period indicated.

	17	18E	19E	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	32E	33E	34E	35E
Total population, Million	1,390.1	1,399.4	1,407.9	1,416.2	1,423.8	1,430.9	1,437.3	1,443.1	1,448.7	1,455.9	1,460.3	1,461.7	1,460.3	1,457.4	1,454.7	1,451.3	1,446.9	1,444.7	1,442.6
Newly infected HIV/AIDS patients	100,711	108,387	116,082	121,011	123,084	123,703	119,938	113,212	106,405	99,657	88,274	76,668	64,909	53,120	41,387	26,775	18,013	10,762	6,419
Death HIV/AIDS patients	26,787	30,001	33,302	36,299	38,840	40,393	40,797	40,797	40,389	39,985	38,786	37,622	36,494	34,669	32,935	31,289	28,786	25,907	23,316
Prevalence rate	0.0792%	0.0842%	0.0896%	0.0951%	0.100%	0.106%	0.111%	0.115%	0.120%	0.123%	0.126%	0.129%	0.131%	0.132%	0.133%	0.133%	0.133%	0.132%	0.131%
Total infected HIV/AIDS population	1,100,479	1,178,864	1,261,645	1,346,357	1,430,601	1,513,912	1,593,053	1,665,468	1,731,483	1,791,155	1,840,643	1,879,689	1,908,104	1,926,556	1,935,007	1,930,493	1,919,721	1,904,576	1,887,678
Treatment rate	66.0%	74.7%	82.4%	88.0%	91.5%	94.5%	96.3%	97.7%	98.7%	99.3%	99.6%	99.8%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Treated HIV/AIDS patients	726,316	880,612	1,039,595	1,184,794	1,309,000	1,430,646	1,534,110	1,627,162	1,708,974	1,778,617	1,833,280	1,875,929	1,906,196	1,926,556	1,935,007	1,930,493	1,919,721	1,904,576	1,887,678

Source: Frost & Sullivan analysis

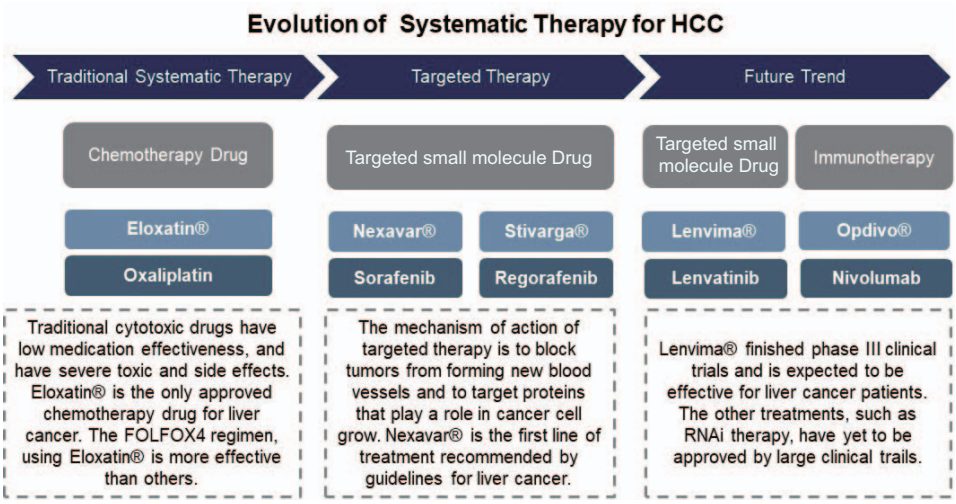
HBV

Hepatitis B is a liver infection caused by the hepatitis B virus (HBV). HBV infections can be acute, or a long-term, chronic infection. Chronic HBV can lead to serious health issues, like cirrhosis or liver cancer. In 2017, total HBV patient population reached 96.2 million in China, and there were 1.0 million newly infected HBV patients. Current treatments for HBV in China are interferon-based therapies and nucleoside analogs that inhibit viral replication by inhibiting the activities of DNA polymerase or reverse transcriptase. However, there is still no functional cure against HBV in the market.

LIVER CANCER

Liver cancer is the fourth most common cancer and one of the leading causes of death from cancer in China. 80% of liver cancer and cirrhosis progressed from viral hepatitis. In 2017, total liver cancer patient population was approximately 455,600 in China. Liver cancer death rate is high in China due to the lack of effective treatments, with a five-year survival rate of only 10%. Deaths from liver cancer was approximately 451,000 in 2017. The number of new liver cancer patients was approximately 489,100 in 2017, and is expected to continue to grow due to the large population of HCV and HBV patients in China and long-standing causes of illness. The liver cancer patient population is expected to grow to approximately 1,261,000 in 2030.

The most common type of liver cancer is hepatocellular carcinoma (HCC). Current available treatments for HCC primarily include traditional chemotherapy and targeted small molecule drugs. Targeted small molecule drugs inhibit proteins that are involved in tumor cell growth and are the first line of treatment for HCC in China. There are currently two targeted small molecule drugs on the market in China, namely, sorafenib and regorafenib. These drugs have limited efficacy and significant side effects. Moreover, costs to treat liver cancer is significant, ranging from RMB150,000 to RMB180,000 per year for targeted small molecule drugs. Lenvatinib, another targeted small molecule drug, is in phase III clinical trial stage. There are also immunoncology treatments in clinical trial stage, which are expected to cost more than RMB500,000 per year in China. The following diagram illustrates the approved treatments for liver cancer in China.



Source: the CFDA, CDE, Frost & Sullivan analysis

The following table sets forth the key historical and forecast statistics of the liver cancer treatment market in China for the period indicated.

	17	18E	19E	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	32E	33E	34E	35E
Total population, Million	1,390.1	1,399.4	1,407.9	1,416.2	1,423.8	1,430.9	1,437.3	1,443.1	1,448.7	1,455.9	1,460.3	1,461.7	1,460.3	1,457.4	1,454.7	1,451.3	1,446.9	1,444.7	1,442.6
Newly liver cancer patients	489,119	501,396	513,745	526,399	539,805	553,553	567,651	582,108	596,933	612,016	630,508	634,291	635,560	634,924	633,654	631,120	627,964	622,941	617,957
Death liver cancer patients	451,024	454,064	465,248	476,707	488,848	501,297	514,064	527,156	540,582	549,231	553,076	554,182	551,411	547,551	542,623	536,112	529,678	523,322	517,042
Prevalence rate	0.0328%	0.0359%	0.0392%	0.0424%	0.0458%	0.0492%	0.0527%	0.0563%	0.0600%	0.0640%	0.0691%	0.0745%	0.0804%	0.0865%	0.0929%	0.0997%	0.107%	0.114%	0.121%
Total infected liver cancer population	455,578	502,910	551,408	601,100	652,058	704,313	757,900	812,851	869,201	931,986	1,009,418	1,089,5	1,173,676	1,261,049	1,352,081	1,447,089	1,545,374	1,644,993	1,745,907
Treatment rate	92.0%	92.5%	93.0%	94.1%	94.6%	95.2%	96.0%	97.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%
Treated liver cancer patients	255,670	286,093	321,018	360,309	400,950	445,887	495,484	551,137	610,753	673,136	750,825	834,970	917,862	1,002,257	1,087,857	1,178,480	1,270,638	1,362,218	1,454,341

Source: Frost & Sullivan analysis

NASH

Non-alcoholic steatohepatitis (NASH) is a type of NAFLD (nonalcoholic fatty liver disease), which is the condition with stored excess of fat in liver. NAFLD is characterized by steatosis of the liver, and NASH is a

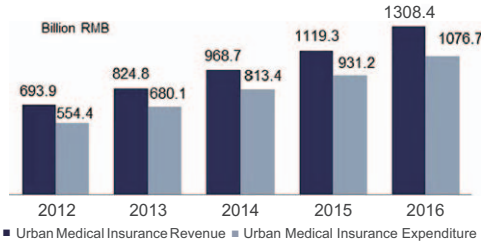
necro-inflammatory process whereby the liver cells become injured under steatosis. Prevalence rate of NAFLD in China is estimated at 15.0%, or 208.5 million NAFLD patients, in 2017, and is expected to increase as less exercise and other lifestyle changes in the PRC population increase the risk of obesity. Although there is a huge patient pool and unmet medical needs, currently there are no approved NASH drugs in the world.

MEDICAL INSURANCE IN CHINA

Medical insurance provided by the PRC government, including urban and rural medical insurance, is the largest payer for pharmaceutical expenditure in China. Commercial medical insurance is also increasingly purchased by PRC healthcare consumers to supplement their urban medical insurance coverage, and this trend is expected to continue to grow as awareness for insurance grows. The following charts set forth the revenue and expenditure of urban medical insurance and commercial medical insurance in the PRC for the period indicated.

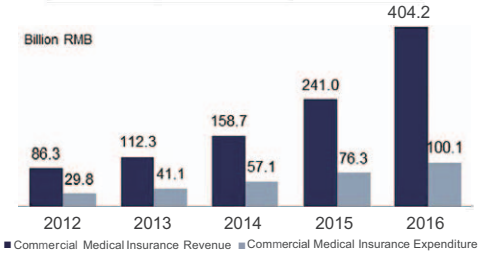
The Revenue and Expenditure of the Urban Medical Insurance, 2012-2016

CAGR	Revenue	Expenditure
2012-2016	17.2%	18.1%



The Revenue and Expenditure of the Commercial Medical Insurance, 2012-2016

CAGR	Revenue	Expenditure
2012-2016	47.1%	35.4%



Source: NHFPC, MOHRSS, Frost & Sullivan analysis

The national and provincial reimbursement drug lists provide the framework for drug reimbursement for those with urban medical insurance coverage. The national reimbursement drug list (NRDL) is managed by the Ministry of Human Resources and Social Security (MoHRSS) and is periodically. The NRDL generally divides reimbursable drugs into two categories — List A and List B. Set forth below is an introduction to NRDL's List A and List B drugs.

Description	List A catalogue	List B catalogue
Features	• Fully reimbursable drugs • Must be included in the provincial government reimbursement drug lists	• Higher price premium and require 10-30% cash co payment by the patients; • For list B drugs in NRDL, a province has the flexibility to substitute up to 15%, which can be adjusted to suit local economic and demographic situations, and meet their medical requests locally.
Number (2017 version)	• 402 Western medicine drugs • 192 traditional Chinese medicine (including ethnodrugs)	• 926 Western medicine drugs • 1,051 traditional Chinese medicine (including ethnodrugs)

Source: NHFPC, MoHRSS, NDRC, Frost & Sullivan analysis

In 2017, the NRDL was updated for the fourth time, in which 339 drugs were added. A negotiation system was established for patented or exclusive drugs that have high clinical value but are relatively expensive. If successfully negotiated between the drug manufacturer and the PRC government, these drugs will be added to List B of the NRDL. 44 patented or exclusive drugs have entered into negotiation with MoHRSS, of which 36 drugs were added to List B of the NRDL, such as rhPro-UK and Conbercept, both manufactured by domestic drug companies. Innovative domestic drug companies may enjoy more market access and reimbursement opportunities if they successfully demonstrate their drug candidates' high clinical value and are able to add their drug to the reimbursement list. Category 1 drugs that have received NDA approval are more likely to be successfully added to this list.

REGULATORY REGIME

We operate our business in China through PRC subsidiaries under a legal regime consisting of the NPCSC, the State Council and several ministries and agencies under its authority including, among others, NHFPC, and the CFDA. According to the Institutional Reform Program of the State Council promulgated by the PRC National People's Congress on Mach 17, 2018 ("**2018 Institutional Reform**"), NHFPC will be incorporated into the newly organized National Health Commission and the CFDA's functions with respect to drug supervision will be transferred to China Drug Administration, or CDA, a newly established organization under the supervision of SAMR, a newly established national institution for supervising and administrating the market in China. Both NHFPC and the CFDA will no longer be retained following the structure reform of administrative organs led by the State Council. There will be no drug supervision institutions at municipal and county level, instead the local SAMR will perform the drug supervision functions such as drug sales and operation. It is expected that the structure reform will be completed before the end of the fiscal year of 2018 pursuant to the Deepening the Institutional Reform of the Party and the State Council promulgated by the Central Committee of the PRC Communist Party in March 2018. This section summarizes the principal PRC laws, rules and regulations that are relevant to our business.

REGULATIONS RELATED TO PHARMACEUTICAL PRODUCT DEVELOPMENT AND APPROVAL

Regulatory Authorities

In PRC, the CFDA is the authority under the State Council that monitors and supervises the administration of pharmaceutical products, medical appliances and equipment as well as food (including food additives and health food) and cosmetics. The CFDA's predecessor, the State Drug Administration, or the SDA, was established on August 19, 1998 as an organization to assume the responsibilities previously handled by the MOH, the State Pharmaceutical Administration Bureau of the PRC and the State Administration of Traditional Chinese Medicine of the PRC. The SDA was replaced by the State Food and Drug Administration in March 2003 and was later reorganized into the CFDA following the institutional reform of the State Council in March 2013.

The primary responsibilities of the CFDA include:

- monitoring and supervising the administration of pharmaceutical products, medical appliances and equipment as well as food, health food and cosmetics in the PRC;
- formulating administrative rules and policies concerning the supervision and administration of food, health food, cosmetics and the pharmaceutical industry;
- evaluating, registering and approving of new drugs, generic drugs; imported drugs and traditional Chinese medicine or TCM;
- approving and issuing permits for the manufacture and export/import of pharmaceutical products, medical appliances and equipment and approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products; and

- examining and evaluating the safety of food, health food, pharmaceutical products and cosmetics and handling significant accidents involving these products.

The NHFPC is an authority at the ministerial level under the State Council and is primarily responsible for national public health. The predecessor of NHFPC is the MOH. Following the establishment of the State Food and Drug Administration (the predecessor of CFDA) in 2003, the MOH was put in charge of the overall administration of the national health in the PRC excluding the pharmaceutical industry. The MOH performs a variety of tasks in relation to the health industry such as establishing social medical institutes and producing professional codes of ethics for public medical personnel. The MOH is also responsible for overseas affairs, such as dealings with overseas companies and governments. The MOH was reorganized into the NHFPC following the institutional reform of the State Council in March 2013.

REGULATIONS RELATED TO THE CLINICAL TRIALS AND REGISTRATION OF DRUGS

Examination and Approval of NDA

On July 10, 2007, the CFDA promulgated the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), or the Registration Measures, which became effective on October 1, 2007. Under the Registration Measures, new drugs generally refer to those drugs that have not been previously marketed in China. In addition, certain marketed drugs may also be treated as new drugs if the type or application method of these drugs has been changed or new therapeutic functions have been added to these drugs. According to the Registration Measures, the approval of new medicines requires the following steps:

- pre-clinical testing including *in vitro* laboratory evaluation, as well as *in vivo* animal studies, of the drug candidate conducted to assess the potential safety and efficacy of the drug candidate. Pre-clinical testing must be conducted in compliance with applicable regulations relating to non-clinical tests;

- upon completion of pre-clinical testing of the new drug, application for registration and clinical trials of the new drug will be submitted to the drug regulatory authorities at the provincial level for review of formalities. If all the formal requirements are met, the drug regulatory authorities at the provincial level will issue a notice of acceptance and conduct site inspections on the research and original data of the new medicine. The drug regulatory authorities at the provincial level will subsequently issue a preliminary opinion and notify the relevant medical examination institute to conduct a sample examination of the new drug. If the new drug is a biological product, three batches of samples will be collected and a notice of inspection will be sent to the NIFDC, which will conduct inspection on the samples and send the inspection report to the CDE of the CFDA and the applicant;

- the drug regulatory authorities at the provincial level will then submit their preliminary opinion, site inspection reports and the applicant's application materials to the CDE of the CFDA and notify the applicant of the progress;

- after receiving the application materials, the CDE of the CFDA will arrange for pharmaceutical, medical or other professionals to conduct a technical review on the application materials and request for supplemental materials and explanations, if necessary. After completion of the technical review, CDE of the CFDA will issue an opinion and submit such opinion to the CFDA, along with the applicant's application materials;

- after receiving the technical opinion from the CDE, the CFDA will assess whether to grant the approval for conducting clinical trial on the new drug. As of May 1, 2017, the clinical trial approval can be directly issued by the CDE on behalf of the CFDA according to The Decision on Adjusting the Examination and Approval procedures for Some Administrative Examination and Approval Items on Drug promulgated by the CFDA. This delegation of authority can shorten the approval timeline for the approval of a clinical trial application;

- after obtaining the approval for conducting clinical trial, the applicant may proceed with the relevant clinical trial, which is generally conducted in three phases for a new medicine under the Registration Measures, at institutions with appropriate qualification:

    - Phase I refers to the preliminary clinical trial for clinical pharmacology and body safety, and is conducted to observe the human body tolerance for new medicine and pharmacokinetics, to provide a basis for determining the prescription plan;

    - Phase II refers to the stage of preliminary evaluation of clinical effectiveness, and the purpose is to preliminarily evaluate the clinical effectiveness and safety of the drug used on patients with targeted indication, as well as to provide a basis for determining the Phase III clinical trial research plan and the volume under the prescription plan;

    - Phase III refers to the clinical trial stage to verify clinical effectiveness, and the purpose is to test and determine the clinical effectiveness and safety of the medicine used on patients with targeted indication, to evaluate its benefits and risks and, eventually, to provide sufficient basis for review of the medicine registration application; and

    - 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 overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose, etc.

- after completion of the relevant clinical trials, the applicant will submit its application for registration and production of the new drug, clinical research report and the relevant supporting documents to the drug regulatory authorities at the provincial level and, at the same time, submit raw materials used for the production for the new drug, related research data and product samples to the NIFDC;

- the drug regulatory authorities at the provincial level will review the relevant documents for formalities. If all the formal requirements are met, the drug regulatory authorities at the provincial level will issue a notice of acceptance and, within five days of the notice, start conducting site inspections. The drug regulatory authorities at the provincial level will issue a preliminary opinion and collect samples of the new drug (if it is not a biological product) and notify the relevant medicine examination institute to review the medicine standards;

- the drug regulatory authorities at the provincial level will then submit their preliminary opinion, inspection report and applicant's application materials to the CDE of the CFDA and notify the applicant of the progress;

- the medical examination institute will review the medicine standards and report its opinion to the CDE of the CFDA and send a copy of the opinion to the applicant;

- after receiving the application materials, the CDE of the CFDA will arrange for pharmaceutical, medical or other professionals to conduct a technical review on the application materials and request for supplemental materials and explanations, if necessary. After completion of the technical review and if all the requirements are complied with, the CDE of the CFDA will report so to the Certification Center of the CFDA and notify the applicant that it may apply to the Certification Center of the CFDA for a production site inspection;

- the applicant should apply to the Certificate Center of the CFDA for a production site inspection within six months after receiving the notice from the CDE of the CFDA;

- the Certification Center of the CFDA will arrange an on-site inspection of the facilities for the mass production of the new drug within 30 days after the application from the applicant to confirm the feasibility of the manufacturing process. The Certification Center of the CFDA will also collect one batch of samples (three batches of samples if the new drug is a biological product) for the relevant medicine examination institute to examine. The Certification Center of the CFDA will prepare an inspection report within ten days after the production site inspection and submit the report to the CDE of the CFDA;

- The medicine examination institute will examine the sample(s) under the reviewed medicine standards, prepare a report after completing the examination and submit the report to the CDE of the CFDA. A copy of the report will be available to the applicant; and

- the CDE of the CFDA will form a comprehensive opinion based on the technical opinion previously received, the report on production site inspection and the result of sample examination, and submit the comprehensive opinion and the application materials to the CFDA;

If all the regulatory requirements are satisfied, the CFDA will grant a New Drug Certificate and a drug registration number (assuming the applicant has a valid Pharmaceutical Manufacturing Permit and the requisite production conditions for the new medicine have been met). All pharmaceutical products that are produced in China must bear drug registration numbers issued by the CFDA, with the exception of certain Chinese herbs and Chinese herbal medicines in soluble form. Drug manufacturing enterprises must obtain the drug registration numbers before manufacturing any drug. A drug registration number issued by the CFDA is valid for five years and the applicant shall apply for renewal six months prior to its expiration date.

The CFDA released the revised Registration Measures (Draft for Comments) on July 22, 2016 and October 23, 2017 respectively, to seek comments from the public, which as compared to the current Registration Measures, mainly includes the following key highlights:

- encourage clinically oriented drug innovation, under which innovative drugs should have definite clinical value and modified drugs should present obvious clinical advantages over the drugs being modified;

- broaden the definition of applicants for marketing authorization from "domestic institutions" to "domestic entities" to cover both the drug research and development institutions and the scientific researchers;

- on-site inspections and sample taking are not compulsory prerequisites for CFDA approval, and the CFDA may determine whether to take such steps based on the results of regulatory review of drug registration applications;

- clinical trials can be conducted in the sequence of Phase I, II and III, or in flexible manners based on the characteristics and applicability of drugs and existing information;

- the CFDA should establish a priority review system and the applicants can apply for the priority rights for those drugs eligible for the conditions;

- remove the section of "application and approval of generic drugs" and set out all relevant provisions in the section of "drug marketing authorization";

- change the regulatory review process of bioequivalence study from approval to a more simplified record process; and

- adjust and stipulate the functions of the CFDA and its branches.

Although there is no definitive timeline for the official enactment of the revised Registration Measures (Draft for Comments), it embodies a regulatory trend of promoting drug innovation, accelerating the drug registration process and setting forth higher quality and technical requirements.

The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. We completed a phase II/III clinical trial of ravidasvir and plan to submit our NDA in the third quarter of 2018.

Registration of Generic Drugs

According to the Registration Measures, the applicants which apply for registration of generic drugs shall be drug manufacturers and the applied drugs shall be within the manufacturing scope specified in the Pharmaceutical Manufacturing Permit. Also clinical trials are required to be conducted according to the attachment of the Registration Measures. According to the Circular on Implementation of Record-filing Management of Bioequivalence Trials of Chemical Drug (《關於化學藥生物等效性試驗實行備案管理的公告》), the management of bioequivalence trials of chemical drug has been changed from examination and approval to record-filing. After completing clinical trials, applicants should submit materials of clinical trials to the CDE. And the CFDA will grant a drug registration number or a disapproval notice according to technical review opinions.

Drug Clinical Practice Certification and Compliance with GCP

To improve the quality of clinical trials, the CFDA promulgated the Administration of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》) in August 2003. In February 2004, the CFDA issued the Circular on Measures for Certification of Drug Clinical Practice (Trial) (《藥物臨床試驗機構資格認定辦法(試行)》), providing that the CFDA is responsible for certification of clinical trial institutions, and that the NHFPC is responsible for certification of clinical trial institutions within its duties. Under the Circular on Measures for Certification of Drug Clinical Practice (trial), the CFDA and the NHFPC decide whether an institution is qualified for undertaking pharmaceutical clinical trials upon the evaluation of the institution's organizational administration, its research personnel, its equipment and facilities, its management system and its standard operational rules. If all requirements are met, a GCP Certification will be issued by the CFDA and the result will be published on the CFDA's website.

The conduct of clinical trials must adhere to the GCP and the protocols approved by the ethics committees of each study site. Since 2015, the CFDA has strengthened the enforcement against widespread data integrity issues associated with clinical trials in China. To ensure authenticity and reliability of the clinical data, the CFDA mandates applicants of the pending drug registration submissions to conduct self-inspection and verification of their clinical trial data. Based on the submitted self-inspection results, the CFDA also regularly launches onsite clinical trial audits over selected applications and rejects those found with data forgery.

Special Examination and Approval for Domestic Category 1 Drugs

According to the Registration Measures, drug registration applications are divided into three different types, namely Domestic NDA, Domestic Generic Drug Application, and Imported Drug Application. Drugs fall into one of three general types divided by working mechanism, namely chemical medicine, biological product and traditional Chinese or natural medicine. Under the Registration Measures, a Category 1 drug refers to a new drug that has never been marketed in any country, and is eligible for special review or fast track approval by the CFDA.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), or the Reform Plan, which outlined the reclassifications of drug applications under the Registration Measures. Under the Reform 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, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, fall into Category 3. Generic drugs, that 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 NDA and the Imported Drug Application procedures under the Registration Measures, respectively.

According to the Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》), or the Special Examination and Approval Provisions, which was promulgated and implemented since January 7, 2009 by the CFDA, the CFDA conducts special examination and approval for new drug registration applications when: (1) the effective constituent of drug extracted from plants, animals, minerals, etc. as well as the preparations thereof have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (2) the chemical raw material medicines as well as the preparations thereof and the biological product have not been approved for marketing home and abroad; (3) the new drugs are for treating AIDS, malignant tumors and rare diseases, etc., and have obvious advantages in clinic treatment; or (4) the new drugs are for treating diseases with no effective methods of treatment.

The Special Examination and Approval Provisions provide that the applicant may file for special examination and approval at the clinical trial application stage if the drug candidate falls within items (1) or (2). The provisions provide that for drug candidates that fall within items (3) or (4), the application for special examination and approval cannot be made until filing for production.

We believe that our current drug candidates fall within items above. Therefore, we may file an application for special examination and approval, which may enable us to pursue a more expedited path to approval in China and bring therapies to patients more quickly.

Fast Track Approval for Clinical Trial and Registration of Domestic Category 1 Drugs

In November 2015, the CFDA released the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》), which further clarified the following policies, potentially simplifying and accelerating the approval process of clinical trials:

- a one-time umbrella approval procedure allowing the overall approval of all phases of a new drug's clinical trials, replacing the current phase-by-phase application and approval procedure, will be adopted for new drugs' clinical trial applications; and

- a fast track drug registration or clinical trial approval pathway 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) clinical trial applications 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.

Administrative Protection and Monitoring Periods for New Drugs

According to the Registration Measures, the Implementing Regulations of the Drug Administration Law (《藥品管理法實施條例》) and the Reform Plan, the CFDA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for Category 1 new 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 CFDA will not accept other applications for new drugs containing the same active ingredient. This renders an actual five-year exclusivity protection for Category 1 new drugs. The only exception is that the CFDA will continue to handle any application if, prior to the commencement of the monitoring period, the CFDA has already approved the applicant's clinical trial for a similar new drug. If such application conforms to the relevant provisions, the CFDA may approve such applicant to manufacture or import the similar new drug during the remainder of the monitoring period.

Regulations Related to Pilot Plan for the Marketing Authorization Holder System

Under the authorization of the NPCSC, the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder Mechanism (《藥品上市許可持有人制度試點方案》) on May 26, 2016, which provides a detailed pilot plan for the marketing authorization holder system, or the MAH System, for drugs in 10 provinces in China. Under the MAH System, domestic drug research and development institutions and individuals in the piloted 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 piloted regions. Drugs qualified for the MAH System are: (1) new drugs (including Category 1 and 2 drugs under the Reform Plan) approved after the implementation of the MAH System; (2) generic drugs approved as Category 3 or 4 drugs under the Reform Plan; (3) previously approved generics that have passed the equivalence assessments against originator drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the piloted regions, but have been moved out of the piloted regions due to corporate mergers or other reasons.

On August 15, 2017, the CFDA issued the Circular on Issues concerning the Promotion of the Drug Marketing Authorization Holder Mechanism in the Pilot Areas (《關於推進藥品上市許可持有人制度試點工作有關事項的通知》), or the Promotion Circular, according to which, holders of drug registrations can entrust more than one pharmaceutical manufacturing enterprises with Pharmaceutical Manufacturing Permit to conduct the manufacturing activities, can sell such drugs by themselves or

engage the entrusted pharmaceutical manufacturing enterprises or pharmaceutical trading enterprises with Pharmaceutical Trading Permit to sell such drugs. The Promotion Circular requires to accelerate the examination and approval process of the relevant drugs which satisfy the conditions listed in the Opinion of CFDA concerning the Encouragement of Innovative Drugs and Implementation of Priority Review promulgated by CFDA on December 21, 2017.

Regulations Related to Permits and Licenses for Manufacturing Drugs

Pharmaceutical Manufacturing Permit

The PRC Drug Administration Law (《藥品管理法》) as promulgated by the NPCSC in 1984 and the Implementing Measures of the PRC Drug Administration Law as promulgated by the MOH in 1989 have laid down the legal framework for the establishment of pharmaceutical manufacturing enterprises and pharmaceutical trading enterprises and for the administration of pharmaceutical products including the development and manufacturing of new drugs and medicinal preparations by medical institutions. The PRC Drug Administration Law also regulates the packaging, trademarks and advertisements of pharmaceutical products in the PRC.

Certain amendments to the PRC Drug Administration Law took effect on December 1, 2001. Subsequent amendments were also made on December 28, 2013 and April 24, 2015. They were formulated to strengthen the supervision and administration of pharmaceutical products, and to ensure the quality of pharmaceutical products and the safety of pharmaceutical products for human use. The current PRC Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products. It regulates and prescribes a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies, and medicinal preparations of medical institutions and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products.

The PRC Implementing Regulations of the Drug Administration Law promulgated by the State Council took effect on September 15, 2002, and were amended on February 6, 2016 and serve to provide detailed implementation regulations for the revised PRC Drug Administration Law.

According to the current PRC Drug Administration Law, no pharmaceutical products may be produced in China without a Pharmaceutical Manufacturing Permit. A local manufacturer of pharmaceutical products must obtain a Pharmaceutical Manufacturing Permit from one of CFDA's provincial level branches in order to commence production of pharmaceuticals. Prior to granting such license, the relevant government authority will inspect the manufacturer'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 Pharmaceutical Manufacturing Permit issued to a pharmaceutical manufacturer is effective for a period of five years. Any enterprise holding a Pharmaceutical Manufacturing Permit is subject to review by the relevant regulatory authorities on an annual basis. The enterprise 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 issuing authority in accordance with then prevailing legal and regulatory requirements for the purposes of such renewal.

Ascletis Pharmaceuticals currently holds a Pharmaceutical Manufacturing Permit effective from September 5, 2016 to September 4, 2021.

Business Licenses

In addition to a Pharmaceutical Manufacturing Permit, the manufacturing enterprise must also obtain a business license from the local office of the SAIC, which will be incorporated into the newly organized SAMR and no longer be retained following the 2018 Institutional Reform, after it has obtained the requisite Pharmaceutical Manufacturing Permit. According to the amendment to the Drug Administration Law on April 24, 2015, Pharmaceutical Manufacturing Permit is not a precondition of business license any longer.

According to the Administration Measures for the Supervision of Pharmaceutical Manufacturing promulgated by CFDA on December 11, 2002 and amended on August 5, 2004 and November 17, 2017, the name, legal representative and registered address of the enterprise specified in the business license must be identical to that set forth in the Pharmaceutical Manufacturing Permit.

GMP Certificates

The World Health Organization encourages the adoption of GMP standards in pharmaceutical production in order to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing of the final products.

The Guidelines on Good Manufacturing Practices promulgated by the CFDA, as amended in 1998, or the GMP Guidelines, took effect on August 1, 1999 and set the basic standards for the manufacture of pharmaceuticals. The GMP Guidelines cover issues such as the production facilities, the qualification of the personnel at the management level, production plant and facilities, documentation, material packaging and labeling, inspection, production management, sales and return of products and customer complaints. On October 23, 2003, the CFDA issued the Notice on the Overall Implementation and Supervision of Accreditation of Good Manufacturing Practice Certificates for Pharmaceuticals, which required all pharmaceutical manufacturers to apply for the GMP certificates by June 30, 2004. Those enterprises that failed to obtain the GMP Certificates by December 31, 2004 would have their Pharmaceutical Manufacturing Permit revoked by the drug regulatory authorities at the provincial level. On February 12, 2011, the CFDA issued revised GMP Guidelines which became effective on March 1, 2011. A GMP Certificate is valid for a term of five years and application for renewal must be submitted six months prior to its expiration date. On December 30, 2015, CFDA issued the Notice on Implementing Good Manufacturing Practice Certificates for Pharmaceuticals, among others, provided that those enterprises that failed to obtain the GMP certificates will not be granted the Pharmaceutical Manufacturing Permit, and from January 1, 2016, the relevant pharmaceutical administrative authorities at the provincial level will take charge of the GMP examination and approval work.

The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. We have received the GMP certification to manufacture tablet formulations of danoprevir shortly after receiving NDA approval for danoprevir.

REGULATIONS RELATED TO DRUG TECHNOLOGY TRANSFER

On August 19, 2009, the CFDA 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.

Conditions for the Application for New Drug Technology Transfer

Applications for new drug technology transfer may be submitted prior to the expiration date of the monitoring period of the new drugs with respect to: (1) drugs with New Drug Certificates only; or (2) drugs with New Drug Certificates and drug approval numbers.

For drugs with new drug certificates only and not yet in the monitoring period, or drug substances with new drug certificates, applications for new drug technology transfer should be submitted prior to the respective expiration date of the monitoring periods for each drug registration category set forth in the new regulations and after the issue date of the new drug certificates.

Conditions for the Application of Drug Production Technology Transfer

Applications for drug production technology transfer may be submitted if: (1) the transferor holds New Drug Certificates or both New Drug Certificates and drug approval numbers, and the monitoring period has expired or there is no monitoring period; or (2) with respect to drugs without New Drug Certificates, both the transferor and the transferee are legally qualified drug manufacturing enterprises, one of which holds over 50% of the equity interests in the other, or both of which are majority-owned subsidiaries of a drug manufacturing enterprise.

With respect to imported drugs with imported drug licenses, the original applicant for the imported drug registration may transfer such drug production technology to local drug manufacturing enterprises.

Application for, and Examination and Approval of, Drug 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 CFDA 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. An approval letter of clinical trials will be issued when necessary. For rejected applications, a notification letter of the examination opinions will be issued with the reasons for rejection.

For the purpose of implementing the regulations listed in the Notice Concerning Expediting the Application of Newly Revised GMP Guidelines and Promoting the Pharmaceutical Industry Upgrading, CFDA issued two notices regarding the technology transfer of drugs during the periods of implementing the newly revised GMP Guidelines on February 22, 2013 and October 29, 2013 respectively, which prescribe the application conditions and procedures in detail when the technology transfer occurs during the merge, acquisition or relocation of the enterprises.

HEALTHCARE SYSTEM REFORM

On March 17, 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System. The State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System on December 27, 2016. On April 21, 2016, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2016. Highlights of these healthcare reform policies and regulations include the following:

- One of the main objectives of the reform was to establish a basic healthcare system to cover both urban and rural residents and provide the Chinese people with safe, effective, convenient and affordable healthcare services. By 2020, a basic healthcare system covering both urban and rural residents should be established.

- Another main objective of reform was to improve the healthcare system, through the reform and development of a graded diagnosis and treatment system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision.

- The reforms aimed to promote orderly market competition and improve the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population. From 2009, basic public healthcare services were to be provided to urban and rural residents. In the meantime, the reforms also encouraged innovations by pharmaceutical companies to eliminate pharmaceutical products that fail to prove definite efficacy and positive risk-benefit ratio.

COVERAGE AND REIMBURSEMENT

Historically, most Chinese healthcare costs have been borne by patients out-of-pocket. However, in recent years the number of people covered by government and private insurance has increased. The PRC government has announced a plan to give every person in China access to basic healthcare by year 2020.

REIMBURSEMENT UNDER THE NATIONAL MEDICAL INSURANCE PROGRAM

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The State Council promulgated 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. The State Council expects the pilot Urban Resident Basic Medical Insurance to cover the whole nation by 2010.

Participants of the national medical insurance program and their employers, if any, are required to contribute to the payment of insurance premium on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the Medical Insurance Catalogue. The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee, jointly issued by several authorities including the Ministry of Labor and Social Security and the Ministry of Finance, or the MOF, among others, on May 12, 1999, provides that a pharmaceutical product listed in the Medical Insurance Catalogue must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (1) it is set forth in the Pharmacopoeia of the PRC; (2) it meets the standards promulgated by the CFDA; and (3) if imported, it is approved by the CFDA for import.

Factors that affect the inclusion of a pharmaceutical product in the Medical Insurance Catalogue include whether the product is consumed in large volumes and commonly prescribed for clinical use in the PRC and whether it is considered to be important in meeting the basic healthcare needs of the general public.

The PRC Ministry of Human Resources and Social Security, together with other government authorities, has the power to determine the medicines included in the NRDL. In February 2017, the PRC Ministry of Human Resources and Social Security released the 2017 NRDL. The 2017 NRDL expands its scope and covers 2,535 drugs in total, including 339 drugs that are newly added. The 2017 NRDL reflects an emphasis on innovative drugs and drugs that treat cancer and other serious diseases. For instance, most of the innovative chemical drugs and biological products approved in China between 2008 and the first half of 2016 have been included in the 2017 NRDL or its candidate list.

Medicines included in the NRDL are divided into two parts, Part A and Part B. Provincial governments are required to include all Part A medicines listed on the NRDL in their provincial Medical Insurance Catalogue, but have the discretion to adjust upwards or downwards by no more than 15% from the number of Part B medicines listed in the NRDL. As a result, the contents of Part B of the provincial Medical Insurance Catalogues may differ from region to region in the PRC.

Patients purchasing medicines included in Part A of the NRDL are entitled to reimbursement of the entire amount of the purchase price. Patients purchasing medicines included in Part B of the NRDL are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price. The percentage of reimbursement for Part B medicines differs from region to region in the PRC.

The total amount of reimbursement for the cost of medicines, in addition to other medical expenses, for an individual participant under the national medical insurance program in a calendar year is capped at the amounts in such participant's individual account under such program. The amount in a participant's account varies, depending on the amount of contributions from the participant and his or her employer.

NATIONAL ESSENTIAL DRUG LIST

On August 18, 2009, MOH and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Drug List and the Guidelines on the Implementation of the National Essential Drug List System, which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National Essential Drug List.

MOH promulgated the National Essential Drug List (Catalog for the Basic Healthcare Institutions) on August 18, 2009, and promulgated the revised National Essential Drug List on March 13, 2013. According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in National Essential Drug List. The drugs listed in National Essential Drug List shall be purchased by centralized tender process and shall be subject to the price control by the NDRC. Remedial drugs in the National Essential Drug List are all listed in the Medical Insurance Catalogue and the entire amount of the purchase price of such drugs is entitled to reimbursement.

COMMERCIAL INSURANCE

On October 25, 2016, the State Council and the Communist Party of China jointly issued the Plan for Healthy China 2030. According to the Plan, the country will establish a multi-level medical security system built around basic medical insurance, with other forms of insurance supplementing the basic medical insurance, including serious illness insurance for urban and rural residents, commercial health insurance and medical assistance. Furthermore, the Plan encourages enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance. The evolving medical insurance system makes innovative drugs more affordable and universally available to the Chinese population, which renders greater opportunities to drug manufacturers that focus on the research and development of innovative drugs, such as high-cost cancer therapeutics.

Insurance Reform

The Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) issued by the State Council on January 3, 2016, call for the integration of the urban resident basic medical insurance and the new rural cooperative medical care system and the establishment of a unified basic medical insurance system, which will cover all urban and rural residents other than rural migrant workers and persons in flexible employment arrangement who participate in the basic medical insurance for urban employees.

According to the Main Tasks of Healthcare System Reform in 2016 issued by the General Office of the State Council on April 21, 2016, the key tasks of the medical insurance reform are: (1) to advance the establishment of the mechanisms of stable and sustainable financing and security level adjustment, (2) to advance the integration of the basic medical insurance systems for urban and rural residents, (3) to consolidate and improve the system for serious illness insurance for urban and rural residents, (4) to reform medical insurance payment methods, and (5) to advance the development of commercial health insurance.

The Human Resources and Social Security Departments issued the Guiding Opinions on Actively Promoting the Coordinated Healthcare, Medical Insurance and Pharmaceutical Reforms (《關於積極推動醫療、醫保、醫藥聯動改革的指導意見》) on June 29, 2016, which state that reform will focus on exploring and leveraging the fundamental role of medical insurance through further integration of medical insurance systems in all aspects, deepening the reform of the payment methods for medical insurance and promoting innovation in the medical insurance management system.

According to the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System issued by the State Council on December 27, 2016, one of the guiding principles is to insist on the reform of the coordinated development among healthcare, medical insurance and pharmaceutical systems. The reform intends to establish a complete policy structure in healthcare by 2017, including by perfecting the graded diagnosis and treatment system, establishing and improving the comprehensive supervision and modern hospital management systems, improving the universal medical insurance system, perfecting drug production and distribution policies and strengthening public health service, medical service, medical insurance, drug supply, supervision and management systems throughout the healthcare industry.

Price Controls

Instead of direct price controls which were historically used in China but abolished in June 2016, the government regulates prices mainly by establishing a consolidated procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices as discussed below.

Centralized Procurement and Tenders

The Guiding Opinions concerning the Urban Medical and Health System Reform (《關於城鎮醫藥衛生體制改革的指導意見》), promulgated on February 21, 2000, aims to regulate the purchasing process of pharmaceutical products by medical institution. The MOH and other relevant government authorities have promulgated a series of regulations and releases in order to implement the tender requirements.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Tender Procurement of Drugs by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated on July 7, 2000 and the Notice on Further Improvement on the Implementation of Centralised Tender Procurement of Drugs by Medical Institutions promulgated on August 8, 2001, medical institutions established by county or higher level government or state-owned enterprises (including state-controlled enterprises) are required to implement centralised tender procurement of drugs.

The MOH promulgated the Working Regulations of Medical Institutions for Procurement of Drugs by Centralised Tender and Price Negotiations (for Trial Implementation) (《醫療機構藥品集中招標採購和集中議價採購工作規範(試行)》), or the Centralised Procurement Regulations, on March 13, 2002, providing rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. On January 17, 2009, the MOH, the CFDA and other four national departments jointly promulgated the Opinions on Further Regulating Centralised Procurement of Drugs by Medical Institutions. According to the notice, public medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by online centralised procurement. Each provincial government shall formulate its catalogue of drugs subject to centralized procurement. Except for drugs in the National Essential Drug List (the procurement of which shall comply with the relevant rules on National Essential Drug List), certain pharmaceutical products which are under the national government's special control, such as toxic, radioactive and narcotic drugs and traditional Chinese medicines, in principle, all drugs used by public medical institutions shall be covered by the catalogue of drugs subject to centralized procurement. On July 7, 2010, the MOH and six other ministries and commissions jointly promulgated the Notice on Printing and Distributing the Working Regulations of Medical Institutions for Centralised Procurement of Drugs to further regulate the centralised procurement of drugs and clarify the code of conduct of the parties in centralised drug procurement.

The centralized tender process takes the form of public tender operated and organised by provincial or municipal government agencies. The centralised tender process is in principle conducted once every year in the relevant province or city in China. The bids are assessed by a committee composed of pharmaceutical and medical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, product safety, qualifications and reputation of the manufacturer, after-sale services and innovation. Only pharmaceuticals that have won in the centralised tender process may be purchased by public medical institutions funded by the governmental or state-owned enterprise (including state-controlled enterprises) in the relevant region.

OTHER HEALTHCARE LAWS

Advertising of Pharmaceutical Products

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 1 May 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 reapplication. On April 24, 2015, the National People's Congress promulgated the PRC Advertising Law, according to which certain contents shall not be included in advertisement of drugs.

Insert Sheet and Labels of Pharmaceutical Products

According to the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品說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 CFDA. 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 if 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.

Packaging of Pharmaceutical Products

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 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 PRC (except for drugs for the military).

REGULATIONS RELATED TO PATENTS

China has made substantial efforts to adopt comprehensive legislation governing intellectual property rights, including patents, trademarks, copyrights and domain names.

Patent Prosecution

The PRC patent system follows the principle of "first to file." This means that, where more than one person files a patent application for the same invention, a patent will be granted to the person who first filed the application. In addition, China requires absolute novelty in order for an invention to be patentable. If a technology that is the subject of an invention patent application has been known to the public prior to the filling of the application, then such technology is not qualified to be patented as an invention. Patents issued in China are not automatically effective in Hong Kong, Taiwan or Macau, each of which has an independent patent system. Patents are filed at the State Intellectual Property Office, or SIPO, in Beijing.

Patent Enforcement

A patent holder who believes the patent is being infringed may either file a civil legal suit or file an administrative complaint with a provincial or municipal office of SIPO. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as either the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined according to the nature, lasting time and the severity and calculated referring to a rational multiple of the contractual license. If damages cannot still be determined, statutory damages from RMB10,000 to RMB1.0 million may be requested.

OUR HISTORY

Our Development

Our Founder, Dr. Wu, founded Ascletis BioScience in April 2013, through which we commenced our business operations. For further details of the background and relevant experience of our Founder, who is also the chairman and chief executive officer of our Company, please refer to the section headed "Directors and Senior Management" in this Document.

Since our establishment in April 2013, we have rapidly become a fully integrated anti-viral platform focused on developing, manufacturing and commercializing innovative, best-in-class drugs against HCV, HIV and HBV.

Milestones

The following table summarizes various key milestones in our development:

Year	Milestone
April 2013	Ascletis BioScience was founded
April 2014	We filed an IND application for danoprevir as a Category 1 drug to the CFDA
April 2015	We filed an IND application for ravidasvir as a Category 1 drug to the CFDA
August 2015 to November 2015	Round One Financing
September 2015	We obtained an IND approval for danoprevir as a Category 1 drug from the CFDA
May 2016	We obtained an IND approval for ravidasvir as a Category 1 drug from the CFDA
December 2016 to February 2017	Round Two Financing
December 2016	Our Ganovo® research and development project was recognized as National Science and Technology Major Project for "Innovative Drug Development" (國家科技重大專項重大新藥創制專項立項)
January 2017	Our NDA for danoprevir as a Category 1 drug was accepted by the CFDA
September 2017	We won the First Prize in Healthcare Sector of China Innovation and Entrepreneurship Competition (全國創新創業大賽) jointly held by the Ministry of Science (科技部), the Ministry of Finance (財政部), the Ministry of Education (教育部) of the PRC, Cyberspace Administration of China (國家互聯網信息辦公室) and All-China Federation of Industry and Commerce (中華全國工商業聯合會)

Year	Milestone
December 2017	Our Hepatitis C project was recognized as National Science and Technology Major Project for "HCV Innovative Drug Development"
April 2018	We completed phase II/III clinical trial for ravidasvir in China
June 2018	We received NDA approval for danoprevir as a Category 1 drug
	We have launched and sold Ganovo® (danoprevir) in China, and since our launch and sales, we have gradually commenced nationwide sales of Ganovo® in eastern, southern, northeastern, northern and central China.

OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 25, 2014 with an authorized share capital of US$50,000 divided into 500,000,000 shares with par value of US$0.0001 each. Immediately after its incorporation, the Company allotted and issued 15,000,000 Shares to Dr. Wu, who then became the sole Shareholder of our Company.

OUR MAJOR SUBSIDIARIES

We conduct our business mainly through our three PRC subsidiaries, corporate information of which is shown below:

Company name	Place of incorporation	Date of establishment	Shareholding percentage	Major business
Ascletis BioScience	PRC	April 26, 2013	100%	PRC headquarters of our business, including research and development and commercialization
Ascletis Pharmaceuticals	PRC	September 24, 2014	100%	manufacturing, commercialization, research and development
Ascletis Biopharma	PRC	April 19, 2018	100%	manufacturing, research and development

On January 13, 2011, PowerTree was incorporated as an exempted company with limited liability in the BVI with a maximum number of 50,000 shares with par value of US$1.00 each. Immediately after its incorporation, PowerTree allotted and issued 100 shares to Dr. Wu. On March 30, 2014, such shares were transferred from Dr. Wu to our Company. Upon completion of the share transfer, PowerTree became a wholly-owned subsidiary of our Company.

Ascletis BioScience was established as a wholly foreign-owned enterprise in the PRC on April 26, 2013 with a registered capital of US$700,000. As at the date of its establishment, it was wholly owned by PowerTree.

Ascletis Pharmaceuticals was established in the PRC on September 24, 2014 with a registered capital of US$12,000,000. As at the date of its establishment, it was wholly owned by PowerTree. Since August 2015, it has been a wholly-owned subsidiary of Ascletis BioScience.

Ascletis Biopharma was established in the PRC on April 19, 2018 with a registered capital of RMB30,000,000. Since the date of its establishment and up to the Latest Practicable Date, it has been wholly owned by Ascletis BioScience.

See section headed "— A. Further Information about Our Group — 2. Changes in Share Capital" in Statutory and General Information for shareholding changes of our Company and our principal subsidiaries since incorporation.

Major acquisitions and disposals

Throughout the two years ended December 31, 2017 and the three months ended March 31, 2018 and up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers.

CORPORATE FINANCINGS AND REORGNISATION PRIOR TO THE PRE-[REDACTED] REORGNISATION

Round One Financing

On August 28, 2015, CBC Investment Seven Limited ("**CBC 7**") and the Company entered into a share subscription agreement, pursuant to which CBC 7 subscribed for 1,000,000 Series A-1 Preferred Shares and 750,000 Series A-2 Preferred Shares for a cash consideration of US$20,000,000 and US$15,000,000, respectively. The total consideration was determined based on arm's length negotiations between us and CBC 7 after taking into consideration the timing of the investment and the status of our business at that time. The allotment of Series A-1 Preferred Shares was completed on September 9, 2015 and Series A-2 Preferred Shares was completed on September 22, 2015.

On November 1, 2015, Broad Street Investments Holding (Singapore) Pte. Ltd. ("**BSIH**") and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. ("**MBD**") entered into a share subscription agreement with the Company, pursuant to which BSIH and MBD subscribed for 618,750 and 131,250 Series A-3 Preferred Shares for a cash consideration of US$12,375,000 and US$2,625,000, respectively. On November 6, 2015, each of BSIH and MBD executed a share transfer form with Dr. Wu, pursuant to which BSIH and MBD purchased 206,250 and 43,750 Shares from Dr. Wu for a cash consideration of US$4,125,000 and US$875,000, respectively. The total 250,000 Shares purchased by BSIH and MBD were converted into Series A-3 Preferred Shares upon completion of the purchase. The total consideration was determined based on arm's length negotiations among the parties after taking into consideration the timing of the investments and the status of our business at that time. The

purchase of Shares and the subscription and allotment of Series A-3 Preferred Shares were completed on November 6, 2015. The following table sets out the shareholding structure of the Company immediately after the Round One Financing:

Name of shareholder	Class of Shares	Number of Shares	Approximate shareholding percentage (%)
Dr. Wu	Shares	14,750,000	84.29
CBC 7	Series A-1 Preferred Shares	1,000,000	5.71
	Series A-2 Preferred Shares	750,000	4.29
BSIH	Series A-3 Preferred Shares	825,000	4.71
MBD	Series A-3 Preferred Shares	175,000	1.00
Total		**17,500,000**	**100**

Historical Reorganization

Upon completion of the Round One Financing, we underwent a series of corporate reorganization steps. On July 14, 2016, Zande Investment and Management LLP (杭州贊德投資管理合夥企業(有限合夥), "**Zande**") entered into an equity interest subscription agreement with PowerTree, pursuant to which Zande subscribed for approximately 2.44% equity interest in Ascletis BioScience for a cash consideration of US$312,220. Subsequently on August 2, 2016, Zande, Hangzhou Zanqin Investment and Management LLP (杭州贊勤投資管理合夥企業(有限合夥), "**Zanqin**"), Hangzhou Zanwei Investment and Management LLP (杭州贊維投資管理合夥企業(有限合夥), "**Zanwei**") and Hangzhou Zanfang Investment and Management LLP (杭州贊放投資管理合夥企業(有限合夥), "**Zanfang**") (collectively, the "**PRC Share Incentive Entities**") and PowerTree entered into an equity interest subscription agreement with Ascletis BioScience, pursuant to which Zanqin, Zanwei, Zanfang, Zande and PowerTree agreed to subscribe for approximately 1.18%, 1.18%, 1.18%, 0.25% and 10.08% equity interest in Ascletis BioScience respectively for a cash consideration of RMB2,319,581, RMB2,319,581, RMB2,319,581, RMB497,045 and US$3,133,689, respectively. The considerations were determined based on fair market value at that time. The subscriptions were completed on August 16, 2016. The purpose to establish the PRC Share Incentive Entities was to hold incentive shares for participants of share incentive plans.

From February 2016 to December 2017, a total of 68 of our employees, each as a limited partner, and Ms. Heying YANG (楊荷英) ("**Ms. Yang**", being a supervisor of Ascletis BioScience), as the general partner, entered into the relevant partnership agreements in respect of, and subscribed for equity interest in, the PRC Share Incentive Entitles. Ms. Yang is mother of Mrs. Wu.

On August 26, 2016, CBC 7, BSIH and MBD entered into a share repurchase agreement with the Company, pursuant to which the Company repurchased all Preferred Shares held by such investors for a consideration of US$23,160,997, US$10,918,756 and US$2,316,100, respectively. The consideration

was determined based on the proceeds from Round One Financing contributed by the investors deducting the amount that had been utilized by us and the amount that had been injected into our PRC subsidiaries at the time of the repurchase. The repurchase was completed on September 26, 2016. As a result, Dr. Wu became the sole shareholder of the Company.

On August 26, 2016, PowerTree, the PRC Share Incentive Entities, CBC 15*Note*, BSIH and MBD also entered into an equity interest subscription agreement with Ascletis BioScience, pursuant to which CBC 15, BSIH and MBD subscribed for approximately 9.50%, 4.48% and 0.95% equity interest in Ascletis BioScience respectively for a cash consideration of US$23,160,997, US$10,918,756 and US$2,316,100, respectively. The amount of consideration was equivalent to the amount paid by the Company to repurchase the Preferred Shares as described above. The equity interest subscription was completed on September 12, 2016.

The following table sets out the shareholding structure of Ascletis BioScience immediately after the Historical Reorganization:

Name of shareholder	Amount of Equity Interest	Approximate shareholding percentage (%)
PowerTree	US$14,000,000	80.07
PRC Share Incentive Entities	US$874,218	5.00
BSIH	US$783,052	4.48
MBD	US$166,102	0.95
CBC 15	US$1,661,017	9.50
Total	**US$17,484,389**	**100**

Round Two Financing

On December 16, 2016, PowerTree, the PRC Share Incentive Entities, CBC15, CBC Investment Twelve Limited ("**CBC 12**"), Tianjin Kangshige Medical Science and Technology Development LLP (天津康士歌醫藥科技發展合夥企業(有限合夥)) ("**Kangshige**") and Qianhai Private Equity Fund (LLP) (前海股權投資基金(有限合夥)) ("**Qianhai**") entered into an equity interest subscription agreement with Ascletis BioScience, pursuant to which CBC 12, Kangshige and Qianhai subscribed for approximately 6.10%, 2.71% and 2.71% equity interest in Ascletis BioScience respectively for a cash consideration of US$45 million, US$20 million and US$20 million, respectively. The total consideration was determined based on arm's length negotiations among the parties after taking into consideration the timing of the investments and the status of our business at that time. The subscription was completed on December 21, 2016.

Note: CBC Investment Fifteen Limited ("**CBC 15**") is an affiliate of CBC 7.

On January 3, 2017, PowerTree, the PRC Share Incentive Entities and CBC 12 entered into an equity transfer agreement, pursuant to which CBC 12 purchased approximately 1.36% equity interest in Ascletis BioScience from PowerTree for a cash consideration of US$10 million. The total consideration was determined based on arm's length negotiations between the relevant parties after taking into consideration the timing of the investments and the status of our business at that time. The purchase was completed on January 9, 2017.

On January 24, 2017, PowerTree, the PRC Share Incentive Entities, BSIH and MBD entered into an equity interest subscription agreement with Ascletis BioScience, pursuant to which BSIH and MBD subscribed for approximately 0.56% and 0.12% equity interest in Ascletis BioScience for a cash consideration of US$4,124,989 and US$875,011, respectively. The total consideration was determined based on arm's length negotiations among the parties after taking into consideration the timing of the investments and the status of our business at that time. The subscription was completed on February 3, 2017.

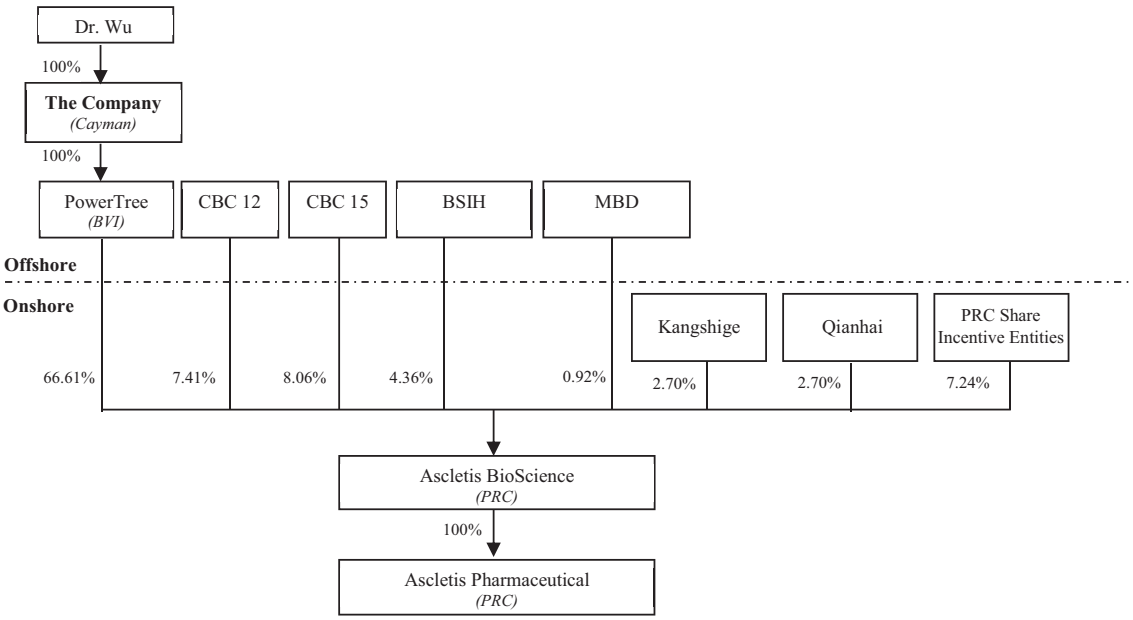
The following table sets out the shareholding structure of Ascletis BioScience immediately after the Round Two Financing:

Name of shareholder	**Amount of Equity Interest**	**Approximate shareholding percentage (%)**
PowerTree	US$13,722,470	66.61
PRC Share Incentive Entities	US$1,492,223	7.24
BSIH	US$897,532	4.36
MBD	US$190,386	0.92
CBC 15	US$1,661,017	8.06
CBC 12	US$1,526,414	7.41
Kangshige	US$555,060	2.70
Qianhai	US$555,060	2.70
Total	**US$20,600,162**	**100**

PRE-[REDACTED] REORGANIZATION

Corporate Structure Immediately Prior to the Pre-[REDACTED] Reorganization

The following chart sets forth the corporate structure of the Group immediately prior to the Pre-[REDACTED] Reorganization:



Pre-[REDACTED] Reorganization

In preparation for the [REDACTED], from February to April 2018, we underwent the following major steps for the pre-[REDACTED] reorganization ("**Pre-[REDACTED] Reorganization**"):

Step 1: Purchase of shares held by the PRC Share Incentive Entities

On February 12, 2018, PowerTree and the PRC Share Incentive Entities entered into an equity transfer agreement, pursuant to which PowerTree purchased all equity interest held by the PRC Share Incentive Entities in Ascletis BioScience for a cash consideration of US$1,492,223. The total consideration was determined based on the registered capital of Ascletis BioScience. The purchase was completed on February 28, 2018.

For the purpose of setting up a similar offshores share incentive platform, on March 15, 2018, JJW11 Limited was incorporated in the BVI. See "—Step 5: Incorporation of JJW11 Limited" in this section for further information of JJW11 Limited.

Step 2: Incorporation of our HK subsidiary

On March 15, 2018, PowerTree set up Ascletis Pharma (China) in Hong Kong as its wholly-owned subsidiary. At the time of its incorporation, the total issued share capital of Ascletis Pharma (China) was HK$100 divided into 100 ordinary shares with par value of HK$1.00 each.

Step 3: Subscription of Preferred Shares

On March 30, 2018, CBC 12, CBC 15, BSIH, MBD, Tasly International Capital Limited (previously known as Jin Kang Qiao Investment Company Limited) ("**Tasly**"), Shunda Machinery Co., Limited ("**Shunda**") and Qianhai Ark (Cayman) Investment Co., Limited ("**Qianhai Cayman**") entered into a share subscription agreement with the Company, PowerTree, Dr. Wu, JJW11 Limited, Ascletis BioScience and Ascletis Pharmaceuticals for the purpose of subscription of Shares. Pursuant to the agreement and subject to certain conditions, 1) CBC 15 subscribed for 1,020,225 Series A-1 Preferred Shares and 765,163 Series A-2 Preferred Shares for an aggregate purchase price of RMB74,217,070.44; 2) CBC 12 subscribed for 1,640,707 Series B Preferred Shares for an aggregate purchase price of RMB68,202,828.54; 3) BSIH subscribed for 841,688 Series A-3 Preferred Shares and 123,047 Series B Preferred Shares for an aggregate purchase price of RMB40,103,230.05; 4) MBD subscribed for 178,537 Series A-3 Preferred Shares and 26,106 Series B preferred Shares for an aggregate purchase price of RMB8,506,829.44; 5) Tasly subscribed for 447,460 Series B Preferred Shares for an aggregate purchase price of RMB18,600,520.39; 6) Shunda subscribed for 149,153 Series B Preferred Shares for an aggregate purchase price of RMB6,200,173.46; and 7) Qianhai Cayman subscribed for 596,613 Series B Preferred Shares for an aggregate purchase price of RMB24,800,693.85. The amount of consideration was determined based on a valuation report prepared by an independent PRC asset appraiser. The amount of consideration payable by CBC 12, CBC 15, BSIH and MBD was offset by the consideration payable to each of them in Step 4 below. The subscription was completed on March 30 2018 and the cash contribution was fully settled on April 4, 2018.

Tasly and Shunda are offshore affiliates of the two limited partners of Kangshige. Qianhai Cayman is an offshore affiliate of Qianhai.

On March 30, 2018, the Company subscribed for one share of PowerTree for a consideration of the aggregate amount of the consideration for the subscriptions described above in this step.

Step 4: Purchase of shares held by other shareholders of Ascletis BioScience

On March 30, 2018, PowerTree entered into an equity transfer agreement with BSIH and MBD, pursuant to which PowerTree purchased all equity interest held by BSIH and MBD in Ascletis BioScience for a consideration of RMB40,103,230.05 and RMB8,506,829.44, respectively. The amount of consideration was equivalent to the consideration payable by BSIH and MBD in Step 3 above and was offset by the consideration payable by them in Step 3 above.

On March 30, 2018, PowerTree entered into an equity transfer agreement with CBC 12 and CBC 15, pursuant to which PowerTree purchased all equity interest held by CBC 12 and CBC 15 in Ascletis BioScience for consideration of RMB68,202,828.54 and RMB74,217,070.44, respectively. The amount of consideration was equivalent to the consideration payable by CBC 12 and CBC 15 to the Company in Step 3 above and was offset by the consideration payable by them in Step 3 above.

On March 30, 2018, PowerTree entered into an equity transfer agreement with Kangshige, pursuant to which PowerTree purchased all equity interest held by Kangshige in Ascletis BioScience for a cash consideration of RMB24,800,693.85. The amount of consideration was equivalent to the cash contributions made by Tasly and Shunda in the Company in Step 3 as described above.

On March 30, 2018, PowerTree entered into an equity transfer agreement with Qianhai, pursuant to which PowerTree purchased all shares held by Qianhai in Ascletis BioScience for a cash consideration of RMB24,800,693.85. The amount of consideration was equivalent to the cash contribution made by Qianhai Cayman in the Company in Step 3 as described above. The updated business license of Ascletis BioScience reflecting changes in this Step 4 was issued on April 8, 2018.

Upon completion of the acquisitions in Step 4, PowerTree became the sole shareholder of Ascletis BioScience.

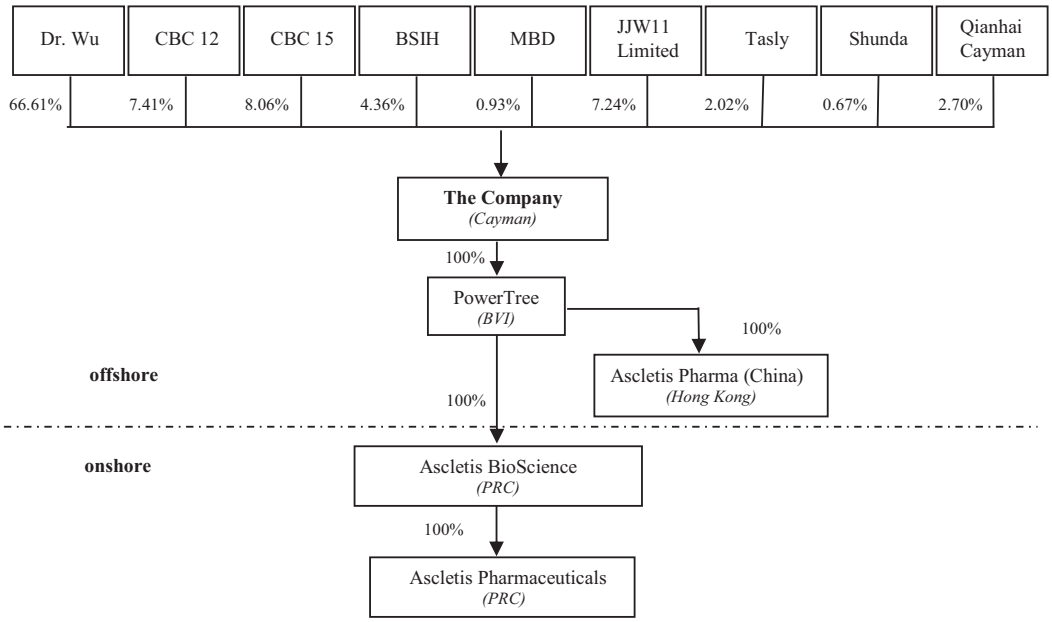
Step 5: Incorporation of JJW11 Limited

On March 15, 2018, JJW11 Limited was incorporated in the BVI with a maximum number of 100,000,000 shares with par value of US$0.0001 each. After its incorporation, the only issued share of JJW11 Limited was held by Dr. Wu on behalf of the participants of the RSU Scheme. The purpose for its incorporation is to set up an offshore share incentive platform to replace the PRC Share Incentive Entities and to hold incentive shares for the participants of the RSU Scheme. For details of the RSU Scheme, see section headed "— A. Further Information about Our Group — 5. RSU Scheme" in Statutory and General Information.

On March 30, 2018, pursuant to the Pre-[REDACTED] Share Subscription Agreement (as defined below) JJW11 Limited subscribed for 1,603,994 Shares of the Company credited as fully paid at par, representing approximately 7.24% of the then total share capital of the Company. The share subscription was completed on March 30, 2018.

Corporate Structure Immediately After the Pre-[REDACTED] Reorganization

The following chart illustrates our corporate structure immediately after the Pre-[REDACTED] Reorganization:



Our PRC Legal Advisor has confirmed that all material approvals in relation to the equity transfers in the PRC as described above have been obtained and the procedures involved have been carried out in accordance with the PRC laws and regulations. Our PRC Legal Advisor has further confirmed that the equity transfers in the PRC as described above have been properly and legally completed.

On April 25, 2018, Dr. Wu transferred 1,107,135 Shares, representing approximately 5% of the Company's total issued share capital, as a capital contribution, to Lakemont Holding LLC, a company incorporated in the United States with limited liability under the laws of the State of Delaware and wholly owned by Dr. Wu ("**Lakemont**"). On April 27, 2018, Dr. Wu transferred all of his interest in Lakemont at nil consideration to the Lakemont 2018 GRAT, a trust created by Dr. Wu on April 26, 2018 under the laws of the State of Delaware for the benefit of his family members (together with Lakemont, the "**Family Trust**"), for which J.P. Morgan Trust Company serves as trustee. Following the above transactions, the voting rights of the relevant Shares will be exercised by Mrs. Wu, who is the manager of Lakemont.

CAPITALIZATION ISSUE AND [REDACTED]

Our Company will allot and issue a total of [REDACTED] Shares and [REDACTED] Preferred Shares credited as fully paid at par to the holders of Shares and Preferred Shares respectively whose names appear on the register of members of our Company on the [REDACTED] in proportion to their existing shareholdings in our Company by capitalising the sum of US$[REDACTED] from the share premium account of our Company. The Shares allotted and issued pursuant to the above Capitalization Issue will rank *pari passu* in all respects with the existing issued Shares.

PRE-[REDACTED] INVESTMENTS

Pre-[REDACTED] Investments by CBC 15, CBC 12, BSIH, MBD, Tasly, Shunda and Qianhai Cayman (collectively, "Pre-[REDACTED] Investors")

(1) *Overview*

We underwent two rounds of pre-[REDACTED] investments ("**Pre-[REDACTED] Investments**"):

- From August 2015 to November 2015, each of CBC 7, BSIH and MBD entered into a share subscription agreement(s) with the Company in relation to subscription of Preferred Shares of the Company, respectively, and each of BSIH and MBD entered into a share transfer agreement with Dr. Wu to purchase certain Shares held by Dr. Wu, which were converted into Preferred Shares on the same date.

- From December 2016 to February 2017, each of BSIH, MBD, CBC 15, CBC 12, Kangshige and Qianhai entered into an equity interest subscription agreement with Ascletis BioScience in relation to subscription of certain equity interest in Ascletis BioScience, and CBC 12 entered into an equity interest transfer agreement with PowerTree to purchase certain equity interest in Ascletis BioScience from PowerTree.

For details of the two rounds of financing, please refer to the Round One Financing and Round Two Financing in "— Corporate Financings and Reorganization Prior to the Pre-[REDACTED] Reorganization" of this section.

In connection with the Pre-[REDACTED] Reorganization, on March 30, 2018, JJW11 Limited, CBC 15, CBC 12, BSIH, MBD, Tasly, Shunda and Qianhai Cayman entered into a share subscription agreement with Ascletis BioScience, Ascletis Pharmaceuticals, the Company and our Founder (the "**Pre-[REDACTED] Share Subscription Agreement**"). As a closing condition to the share subscription agreement, a shareholder agreement was entered into on March 30, 2018 among the Company, our Founder, JJW11 Limited, PowerTree, Ascletis BioScience, Ascletis Pharmaceuticals and all the Pre-[REDACTED] Investors in respect of the Shareholders' rights of the Company (the "**Pre-[REDACTED] Shareholders Agreement**"). The Pre-[REDACTED] Share Subscription Agreement and the Pre-[REDACTED] Shareholders Agreement have superseded all previous agreements among the Company, our Founder and the Pre-[REDACTED] Investors in respect of the Shareholders' rights in our Company.

(2) ***Principal terms of the Pre-[REDACTED] Investments***

The below table summarizes the principal terms of the Pre-[REDACTED] Investments

	Round One Financing	Round Two Financing
Investment cost paid by the investors	US$20.00/Share	US$36.03/US$1 registered capital of Ascletis BioScience
Date on which investment was fully settled	November 7, 2015	February 17, 2017
Discount to the [REDACTED][Note 1]	[REDACTED]%	[REDACTED]%
Use of Proceeds from the Pre-[REDACTED] Investments	We utilized the proceeds to finance our research and development activities, build up our commercialization team and manufacturing capacity, and fund our daily operations. As of the Latest Practicable Date, 100% and 53% net proceeds from the Round One Financing and Round Two Financing have been utilized by the Group, respectively.[Note 2]	
Lock-up	The Shares held by the Pre-[REDACTED] Investors and their transferees who was a party to the Pre-[REDACTED] Share Subscription Agreement will be subject to lock-up for a maximum period of 180 days commencing on the date of this Document or the [REDACTED] upon request by the Company or the [REDACTED].	
Strategic benefits of the Pre-[REDACTED] Investors brought to our Company	At the time of the Pre-[REDACTED] Investments, our Directors were of the view that our Company could benefit from the Pre-[REDACTED] Investors' commitments to our Company as their investments demonstrate their confidence in the operations of our Group and serve as an endorsement of our Company's performance, strength and prospects.	

Note 1: Assuming the [REDACTED] is fixed at HK$[REDACTED], being the mid-point of the indicative [REDACTED] range, and based on the number of Shares in issue upon the completion of the Capitalization Issue and the [REDACTED] assuming the [REDACTED] is not exercised.

Note 2: The amount of [REDACTED] utilized is calculated based on the total proceeds from the two rounds of financings plus government grants and payments received from Roche (including upfront payments and milestone payments), deducting balance of cash and cash equivalents as at March 31, 2018.

Rights of the Pre-[REDACTED] Investors

Pursuant to the Memorandum of Association of our Company restated upon completion of the Pre-[REDACTED] Reorganization, all Preferred Shares shall be converted into Shares of our Company immediately before the completion of the [REDACTED] on an initial ratio of 1:1 subject to certain adjustment mechanisms.

The special rights granted to the Pre-[REDACTED] Investors pursuant to the Pre-[REDACTED] Share Subscription Agreement and the Pre-[REDACTED] Shareholders Agreement are set forth below. All the special rights are expected to terminate prior to the [REDACTED] in accordance with the terms of the respective agreement:

- *Right of first refusal*

If the Founder proposes to sell any of its Shares of the Company (the "**[REDACTED]**"), each of the holders of Preferred Shares has an option to purchase all or any portion of its respective pro rata share of the [REDACTED] set out in the transfer notice given by the Founder.

- *Right of co-sale*

If any holder of the Preferred Shares does not exercise its right of first refusal as to the [REDACTED], it has the right to participate in such sale of equity securities on the same terms and conditions as specified in the transfer notice given by the Founder.

- *Pre-emptive right*

The Pre-[REDACTED] Investors have a pre-emptive right to purchase up to its pro rata share of any new securities (except for certain excepted issuance such as new securities issuance under share incentive schemes), which the Company may, from time to time, propose to sell or issue.

- *Information and inspection right*

The holders of the Preferred Shares have the right to receive the financial information, annual budgets, business plan and other information reasonably requested by it, as well as the right to visit and inspect the Company or its subsidiaries to examine the facilities, books of account, records, financial vouchers, financial statements and to discuss affairs with the employees, directors, officers, agents, consultants, accountants, legal counsel and investment bankers of the Company or its subsidiaries.

- *Director designation right*

As long as CBC 12, CBC 15, Tasly and Shunda collectively own at least 11.6625% of all the outstanding Shares of the Company (calculated on a fully-diluted and as converted basis and subject to appropriate adjustment for share dividends, splits, combinations and similar events), they shall have the right to designate one director ("**Series A Director**"), while the Founder has right to designate two directors.

- *Veto rights*

Certain corporate actions of the Company require the approval with the affirmative vote of the holders of at least two-thirds of the Preferred Shares, and certain corporate actions of the Company also require the approval of the Series A Director.

- *Dividend Preference*

No dividends will be declared or paid on any Shares, unless and until a dividend in like amount is declared and paid on each outstanding Preferred Shares.

- *Liquidation preference*

In the event of any liquidation, dissolution or winding up of the Company, the holders of Series B Preferred Shares shall be entitled to receive a liquidation preference equal to the greater of (i) the sum of one hundred percent (100%) of the original subscription price of Series B Preferred Shares plus and eight percent (8%) compound annual rate of return for the period between the original issuance date and the date of the actual payment of such liquidation amount and (ii) the amount per Series B Preferred Share that such holder would have received if funds and assets were distributed among the shareholders in proportion on a fully converted basis plus all declared but unpaid dividends thereon up until the date of the actual payment of such liquidation amount ("**Series B Liquidation Amount**"). The Company shall be liable to pay the amount of any deficiency to ensure the holders of Series B Preferred Shares receive the Series B Liquidation Amount in full.

After the payment in full of the Series B Liquidation Amount, the holders of Series A Preferred Shares shall be entitled to the sum equal to the greater of (i) the sum of one hundred percent (100%) of the original issue price of Series A Preferred Shares plus eight percent (8%) compound annual rate of return for the period between the original issuance date and the date of the actual payment of such liquidation amount, and (ii) the amount per Series A Preferred Share that such holder would have received if funds and assets were distributed among the shareholders in proportion on a fully converted basis plus all declared but unpaid dividends thereon up until the date of the actual payment of such liquidation amount ("**Series A Liquidation Amount**"). The Company shall be liable to pay the amount of any deficiency to ensure the holders of Series A Preferred Shares receive the Series A Liquidation Amount in full.

- *Redemption right*

(i) Any holder of the Preferred Shares has the option to require a sale of the Company if the Company has not initiated a qualified [REDACTED] by the fourth anniversary of the original issuance date, which is not due to any of the Pre-[REDACTED] Investors voting as a shareholder or through the director appointed by them and any Pre-[REDACTED] Investor received a bona fide offer to purchase all of its Shares in connection with a proposed sale of the Company at a valuation of no less than US$1.5 billion; or

(ii) CBC 12, CBC 15, Shunda, Tasly, BSIH and MBD have the option to together require the Founder to redeem all or any part of the Preferred Shares held thereby if the Company has not initiated a qualified [REDACTED] by the fifth anniversary of the original issuance date which is not due to any of the Pre-[REDACTED] Investors voting as a shareholder or through the director appointed by them and any Pre-[REDACTED] Investor received a bona fide offer to purchase all of its Shares in connection with a proposed sale of the Company at a valuation of no less than US$1 billion.

(iii) If the valuation of the Company underlying a bona fide offer is higher than US$1.0 billion but lower than US$1.5 billion, the Founder may elect not to vote or give his consent with respect to all Shares directly or indirectly held by him in favor of such proposed sale of the Company, in which event, each of the investors may by notice in writing to the Founder require the Founder to purchase, or cause another third party to purchase, or cause the Company to redeem, all Shares held by such investor at a price equal to one hundred percent (100%) of the investment amount of the relevant investors plus interest, provided that the investors shall not vote against the Company's [REDACTED] application submitted to the Stock Exchange and such right of redemption will be terminated upon submission of the first [REDACTED].

Information on the Pre-[REDACTED] Investors

CBC 12 and CBC 15

As of the Latest Practicable Date, CBC 12 and CBC 15 were ultimately controlled by C-Bridge Capital GP, Ltd., which is a healthcare-dedicated private equity firm that mainly invests in mature, leading businesses across China's major healthcare sectors including pharmaceutical/ biotech, medical technology and healthcare services.

C-Bridge Capital GP. Ltd will be interested in aggregate as to approximately [REDACTED]% of the issued share capital of the Company immediately following the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised) and will be a substantial shareholder and therefore a connected person of our Company upon our [REDACTED]. The Shares held by CBC 12 and CBC 15 will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED].

BSIH and MBD

BSIH and MBD (collectively, the "**Goldman Sachs Entities**") are companies incorporated under the laws of the Republic of Singapore with limited liability as investment vehicles. BSIH is ultimately wholly owned by The Goldman Sachs Group, Inc. (the "**Goldman Sachs Group**"), a company incorporated under the laws of Delaware and whose shares are listed on the NYSE (ticker symbol: GS). MBD was held by multiple employee funds of the Goldman Sachs Group, among which, all general partners of the funds are wholly-owned subsidiaries of the Goldman Sachs Group and all limited partners are employees of the Goldman Sachs Group.

The Goldman Sachs Entities will be interested in aggregate as to approximately [REDACTED]% of the issued share capital of the Company immediately following the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised). As the Goldman Sachs Entities will not be a substantial shareholder and therefore not a connected person of our Company upon our [REDACTED], the Shares held by the Goldman Sachs Entities will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED].

Tasly

Tasly was incorporated in the BVI on February 28, 2014 and was controlled by Tasly Holding Group Co., Ltd. and ultimately controlled by Mr. Kaijing YAN (閆凱境). Tasly is mainly engaged in cross-border trading and transactions and business consultation. Tasly is an offshore affiliate of a limited partner of Kangshige.

Tasly will be interested as to approximately [REDACTED]% of the issued share capital of the Company immediately following the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised). As Tasly will not be a substantial shareholder and therefore not a connected person of our Company upon our [REDACTED], the Shares held by Tasly will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED].

Shunda

Shunda was incorporated in Hong Kong on August 2, 2013 and was ultimately controlled by an independent foreign individual. Shunda is an offshore affiliate of a limited partner of Kangshige.

Shunda will be interested as to approximately [REDACTED]% of the issued share capital of the Company immediately following the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised). As Shunda will not be a substantial shareholder and therefore not a connected person of our Company upon our [REDACTED], the Shares held by Shunda will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED].

Qianhai Cayman

Qianhai Cayman was incorporated in the Cayman Islands on October 12, 2017. As of the Latest Practicable Date, Qianhai Cayman was wholly owned by Qianhai Ark (International), which in turn was wholly owned by Qianhai FoF Equity Investments (Shenzhen) Co., Ltd., which was held as to 99% by Qianhai Equity Fund (LLP). Qianhai Equity Fund (LLP) is a fund-of-funds company which dedicates to private equity fund management, venture capital investment, equity investment and equity investment consultation.

Qianhai Cayman will be interested as to approximately [REDACTED]% of the issued share capital of the Company immediately following the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised). As Qianhai Cayman will not be a substantial shareholder and therefore not a connected person of our Company upon our [REDACTED], the Shares held by Qianhai Cayman will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [REDACTED].

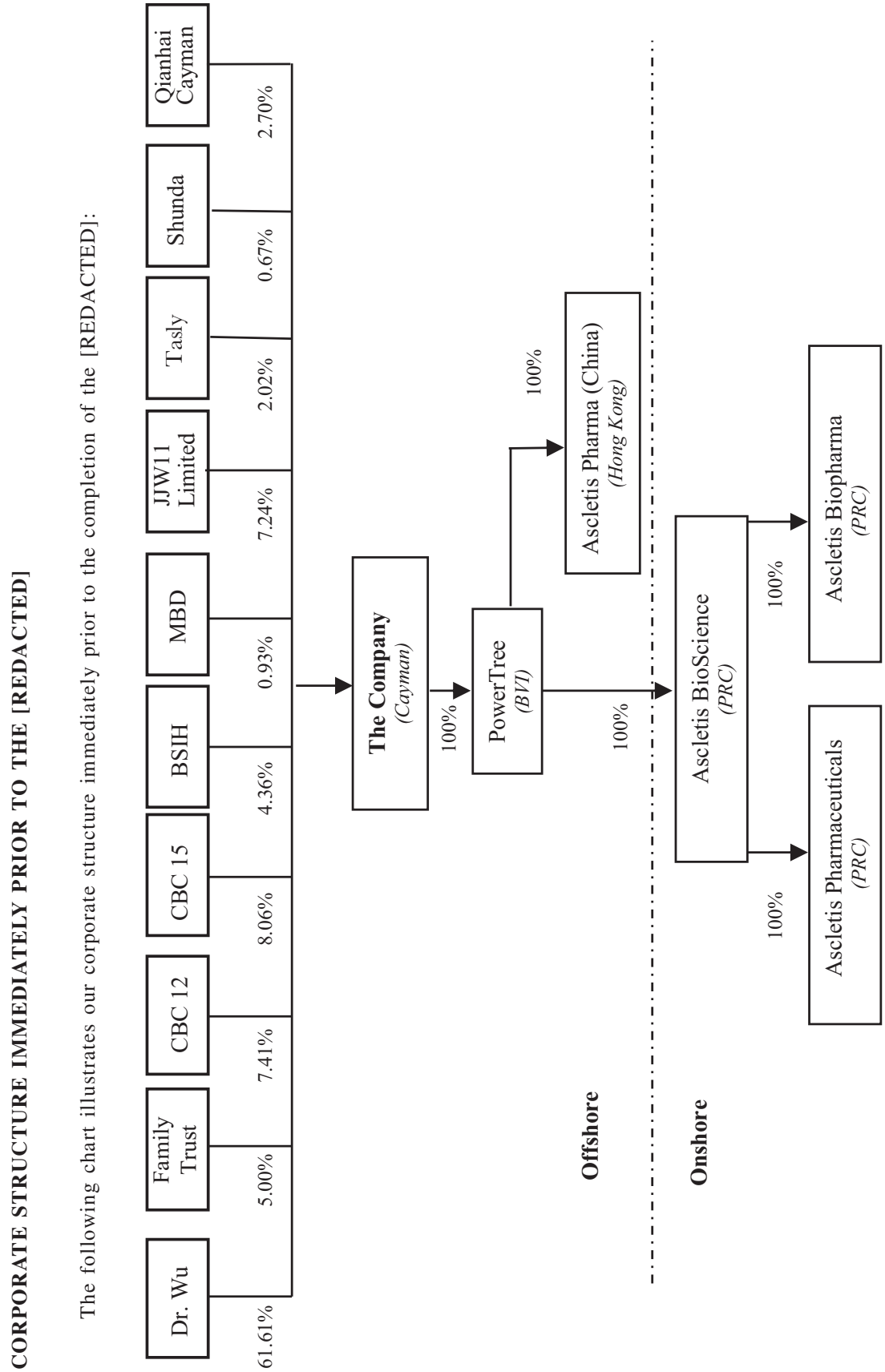
Except for CBC 12 and CBC 15 as disclosed above, to our Directors' best knowledge, each of the other Pre-[REDACTED] Investors is independent from the Company and its connected persons.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-[REDACTED] Investments was irrevocably settled more than 28 clear days before the date of our first submission of the [REDACTED], to the Stock Exchange and (ii) the special rights granted to the Pre-[REDACTED] Investors will terminate prior to the [REDACTED], the Joint Sponsors have confirmed that the investments of the Pre-[REDACTED] Investors are in compliance with the Interim Guidance on Pre-[REDACTED] Investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

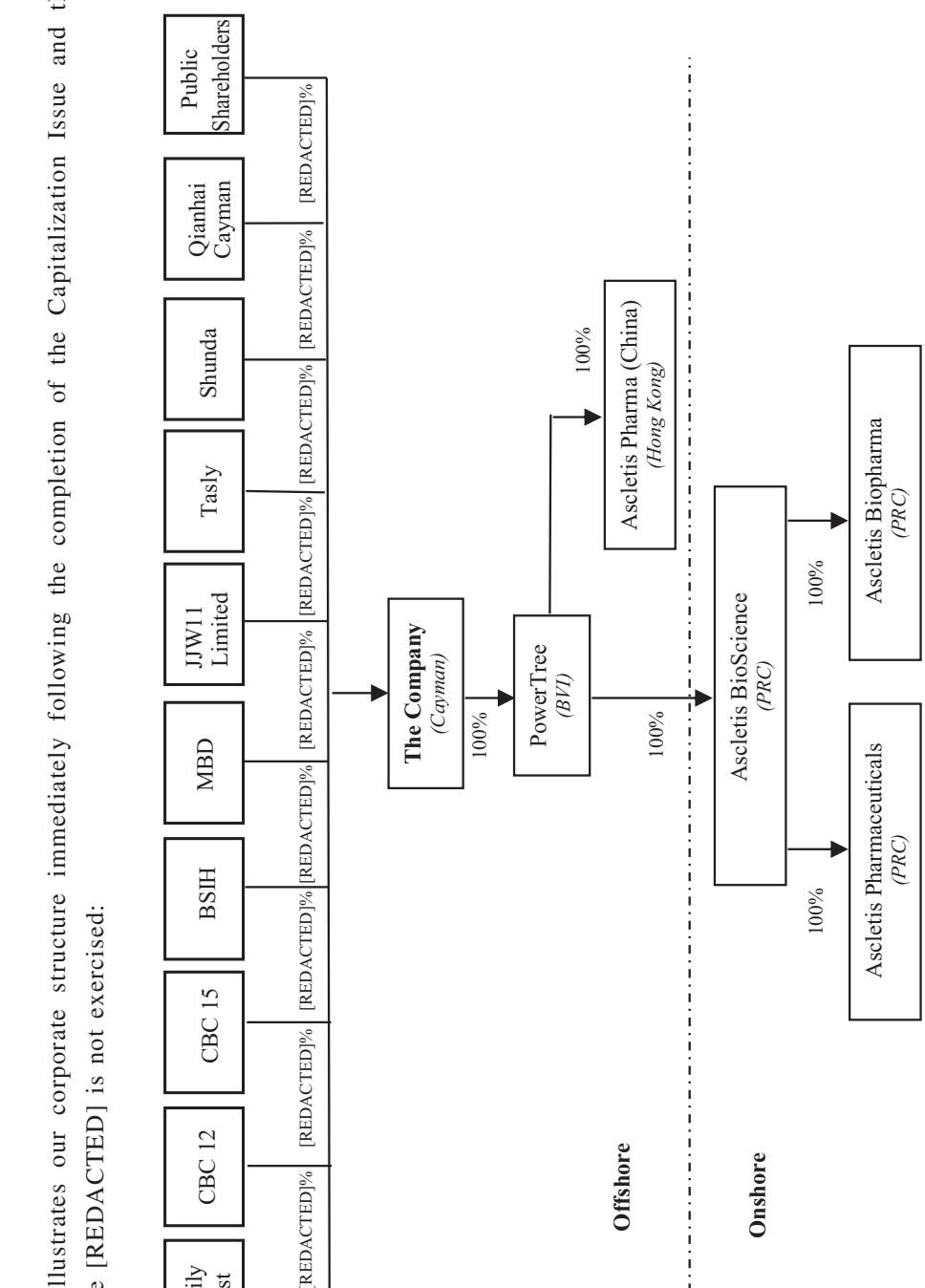
CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following chart illustrates our corporate structure immediately prior to the completion of the [REDACTED]:



CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE CAPITALIZATION ISSUE AND THE [REDACTED]

The following chart illustrates our corporate structure immediately following the completion of the Capitalization Issue and the [REDACTED], assuming the [REDACTED] is not exercised:



OVERVIEW

Ascletis is a fully integrated anti-viral platform focusing on developing and commercializing innovative, best-in-class drugs against HCV, HIV and HBV. Led by a management team with deep expertise and a proven track record, we have developed an integrated anti-viral platform covering the entire value chain from discovery and development to manufacturing and commercialization.

We currently have five anti-viral drug discovery and development programs, including two HCV drug candidates at or near commercial-stage and one HIV drug candidate that has completed a phase IIa clinical trial. In addition, we have a liver cancer drug candidate that has completed phase I and phase I extension clinical trials. Our product pipeline is set out below:

Near-Commercial Assets

- *Ganovo®*. Ganovo® (戈諾衛®) (danoprevir) is the first HCV cure at commercial-stage developed by a domestic company in China. On June 8, 2018, the NDA approval for danoprevir was granted by the CFDA and we have begun to commercialize Ganovo® (danoprevir) in China. Ganovo® is a direct-acting anti-viral agent ("**DAA**") and NS3/4A protease inhibitor, which, when administered in combination with pegylated interferon and ribavirin ("**Ganovo Regimen**") demonstrated a far higher cure rate of 97% (SVR12), a shorter treatment duration of 12 weeks and a superior safety and tolerability profile, compared with the current primary regimen of pegylated interferon and ribavirin in China, which demonstrates a cure rate of approximately 60% (SVR24) with a treatment duration of 48 to 72 weeks.

- *Ravidasvir*. We believe ravidasvir is a best-in-class, pan-genotypic DAA targeting the HCV NS5A protein. Ravidasvir, when administered in combination with Ganovo® and ribavirin, forms an all-oral, interferon-free HCV therapy ("**RDV/DNV Regimen**"). Our RDV/DNV Regimen is the first all-oral, interferon-free, phase III-completed HCV regimen developed by a domestic company in China, for which we expect to file an NDA in the third quarter of 2018 in China. RDV/DNV Regimen offers a 99% cure rate (SVR12), a short treatment duration of 12 weeks, a superior safety profile and a 100% cure rate (SVR12) for patients with baseline NS5A resistance mutations, all of which differentiate this regimen from those of our competitors.

Other Pipeline Assets

- *ASC21 — IND-ready HCV NS5B nucleotide polymerase inhibitor*. ASC21 is an NS5B nucleotide polymerase inhibitor that has shown in *in vitro* studies to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. We plan to file an IND application in the third quarter of 2018 in China.

- *ASC09 — Phase IIa completed HIV drug candidate*. ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. ASC09 has an unprecedented genetic barrier to resistance and has completed phase I and phase IIa clinical trials, which have shown potent anti-viral activity. These clinical trials have also shown that ASC09 is safe and well-tolerated. These characteristics make ASC09 a promising candidate for HIV-therapy for both treatment-naïve and treatment-experienced patients. We plan to initiate a phase IIb clinical trial in China in 2020.

- *ASC06 — Phase I completed liver cancer drug candidate*. We aim to develop ASC06 as the first systematically delivered therapeutic drug to treat liver cancer by using RNA interference, a break-through approach to drug discovery and development. ASC06 has been designed to silence two genes critical for growth of liver cancer cells — vascular endothelial growth factor ("**VEGF**") and kinesin spindle protein ("**KSP**"). ASC06 has completed phase I and phase I extension clinical trials, which have shown that 50% of patients who received ≥ 0.7 mg/kg dose achieved stable disease and one patient achieved a complete response. We expect to initiate a phase II clinical trial in China in 2020.

We also have two in-house pre-clinical programs at discovery stage. One is to develop novel therapies to achieve high functional cures for HBV. The other is to develop breakthrough therapies for non-alcoholic steatohepatitis ("**NASH**"), a type of fatty liver disease, focusing on novel targets.

We have a strong track record and high success rate in developing products. We have three HCV drug candidates against three validated targets, of which we have advanced two HCV drug candidates to phase III completion. Such high success rate is, we believe, a reflection of the capabilities and efforts of our research and development team. Our research and development team is led by senior scientists from global pharmaceutical companies, such as GSK and Roche. In preparation for the commercialization of Ganovo® and ravidasvir, we have spent two years building a commercialization team of approximately 150 members covering four major functions, including sales, marketing strategy, market access/reimbursement and channel/distribution. In anticipation of the commercialization of our drug candidates, we have built a manufacturing facility with an annual production capacity of 130 million tablets.

We are led by a senior management team, including world-class scientists, with extensive experience in developing and commercializing anti-viral drugs. Our founder, Dr. Wu, has dedicated his career to, and built our company with the goal of, discovering and developing innovative cures for life-threatening diseases including viral infections for patients in China and worldwide. We believe that our integrated anti-viral platform led and guided by our experienced senior management team will allow us to expand our operations and deliver sustainable growth in the future. Moreover, our platform has enabled us to become a partner-of-choice in China's anti-viral field for global leading pharmaceutical companies, as demonstrated by the high-quality clinical stage anti-viral assets that we have licensed from global pharmaceutical companies such as Roche and Johnson & Johnson.

COMPETITIVE STRENGTHS

First HCV cure at commercial-stage developed by a domestic company in China

Hepatitis C is a widespread infectious disease in China for which there is no vaccine. According to the F&S Report, there were approximately 25.2 million patients living with HCV, including approximately 350,000 newly infected patients in China in 2017.

The market potential for breakthrough HCV treatments in China is vast. The current primary regimen for HCV in China consists of pegylated interferon and ribavirin, which generally has: (i) cure rates (also known as sustained virological response) of approximately 60% (SVR24) of the treated patients; (ii) a lengthy treatment duration of 48 to 72 weeks for HCV genotype 1; and (iii) considerable side effects and poor tolerability.

Our Ganovo® is a breakthrough drug candidate for HCV treatment compared to the current primary regimen in China. Ganovo® is a DAA that inhibits HCV NS3/4A protease and has potent activity against HCV NS3/4A protease derived from HCV genotypes 1 through 6. Our Ganovo Regimen (i) demonstrates a cure rate of 97% (SVR12); (ii) has a short treatment duration of 12 weeks; (iii) offers a superior safety and tolerability profile; (iv) is efficacious in both non-cirrhotic and cirrhotic patients; (v) may decrease HCC incidence, especially in cirrhotic patients; and (vi) may decrease hepatitis incidence due to HBV re-activation in HBV/HCV co-infected patients.

The CFDA has designated danoprevir for Priority Review due to its innovative profile. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. Danoprevir has been selected by the NHFPC as a National Science and Technology Major Project for "Innovative Drug Development" under the 13th Five-year Plan, which, we believe, provides significant advantages in terms of market access and reimbursement opportunities.

First all-oral, interferon-free, phase III-completed HCV regimen developed by a domestic company in China

We have developed ravidasvir to be a best-in-class, pan-genotypic inhibitor targeting the HCV NS5A protein. Ravidasvir offers superior anti-viral activity, a higher genetic barrier to resistance and a better safety profile compared to our competitors' NS5A inhibitors approved in China. Our phase II/III clinical trial was completed with a cure rate of 99% (SVR12). The clinical trial results have shown that our all-oral RDV/DNV Regimen: (i) demonstrates a cure rate of 99% (SVR12); (ii) has a short treatment duration of 12 weeks; and (iii) offers a superior safety and tolerability profile.

Notably, our RDV/DNV Regimen demonstrates a cure rate of 100% (SVR12) for patients infected by HCV with baseline NS5A resistance mutations, which further differentiates it from products launched by our competitors in China. Over 19% patients in China were infected by HCV with baseline NS5A resistance mutations, representing a total patient population of 4.8 million in China in 2017, according to the F&S Report.

We believe ravidasvir is a best-in-class NS5A inhibitor, illustrated by the following:

- *Pan-genotypic*. *In vitro* studies have shown that ravidasvir has anti-viral activity against HCV genotypes 1 to 6. Two phase III clinical trials of ravidasvir in combination with sofosbuvir ("**RDV/SOF Regimen**") have shown an overall 97% cure rate (SVR12) in genotypes 1, 2, 3 and 6 and 95% cure rate (SVR12) in genotype 4, respectively;

- *Efficacious for hard-to-cure genotypes*. A phase III clinical trial of RDV/SOF Regimen demonstrated a 99% cure rate (SVR12) in genotype 1a and a 97% cure rate (SVR12) in genotype 3;

- *Efficacious in cirrhotic patients*. A phase III clinical trial of RDV/SOF Regimen demonstrated a 96% cure rate (SVR12) in cirrhotic patients; and

- *Efficacious for HCV/HIV co-infected patients*. A phase III clinical trial of RDV/SOF Regimen demonstrated a 97% cure rate (SVR12) in HCV/HIV co-infected patients.

Our IND-ready drug candidate, ASC21, is a NS5B nucleotide polymerase inhibitor with superior anti-viral activity to sofosbuvir. Ravidasvir and ASC21 form a regimen ("**RDV/ASC21 Regimen**") that has the potential to have pan-genotypic activity and to treat difficult-to-cure genotypes, and cirrhotic and HCV/HIV co-infected patients.

Similar to Ganovo®, ravidasvir has also been designated as a National Science and Technology Major Project for "Innovative Drug Development" under the 13th Five-year Plan by the NHFPC as well as designated for Priority Review by the CFDA and would be approved as a Category 1 drug, which, we believe, provide significant advantages in terms of market access and reimbursement opportunities. We expect to file our NDA for ravidasvir in the third quarter of 2018.

With both our RDV/DNV Regimen and Ganovo Regimen, we have demonstrated our commitment to providing multiple advanced treatment options to a vast number of HCV patients in China.

Experienced, established and well-prepared commercialization team

In preparation for the commercialization of Ganovo® and ravidasvir, we have spent two years to build a commercialization team of approximately 150 members with extensive pharmaceutical commercialization experience, in particular in the hepatitis field. We believe that our commercialization team distinguishes us from our competitors in the following respects, all of which will be crucial in driving the sales of our Ganovo Regimen and RDV/DNV Regimen after their launch:

- *Experienced team*. A majority of our commercialization team members have extensive experience working in leading global pharmaceutical companies like Roche, BMS, GSK, Merck and Novartis in China, especially as HCV or HBV sales team members. Many of the team leaders of our commercialization team, covering sales, marketing strategy, market

access/reimbursement and channel/distribution, respectively, have over ten years of experience in the pharmaceutical industry, in particular in the hepatitis field, and many have a proven sales track record of blockbuster hepatitis drugs such as Barraclude and Pegasys.

- *Extensive preparation*. We have begun to build our commercialization team since February 2016 to lay the foundation for the commercialization of our first products and develop a targeted marketing strategy. Our pre-commercialization work primarily consisted of pre-launch market research and patient analysis, brand-building, and identifying and educating approximately 5,500 specialists and KOLs in the hepatitis field. We believe that elevating awareness is critical to driving initial sales after launch because hepatitis C is a chronic disease and breakthrough therapies in HCV have been highly anticipated by doctors and patients. In addition, we have begun to build a distribution network for our drug candidates by developing a deep understanding of the market dynamics of major distributors across China.

- *Wide and targeted coverage*. Our commercialization team has focused on covering more than 850 hospitals strategically located in regions where hepatitis C is most prevalent in China. In our hospital selection process, we leveraged our pre-launch market analysis to target hospitals, specialists and KOLs in regions where hepatitis C is most prevalent.

A robust research and development product pipeline with potential best-in-class or first-in-class drug candidates

In addition to Ganovo® and ravidasvir, our product pipeline includes two clinical-stage drug candidates focusing on HIV and liver cancer and an IND-ready HCV NS5B nucleotide polymerase inhibitor, all of which we believe have the potential to be best-in-class or first-in-class.

- ASC21 is a NS5B nucleotide polymerase inhibitor that has been shown in *in vitro* studies to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. ASC21, in combination with ravidasvir, forms a regimen which has the potential to have pan-genotypic activity and to be effective in treating patients with difficult-to-cure genotypes, cirrhosis and HCV/HIV co-infection. We plan to file an IND application in the third quarter of 2018 in China.

- ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. ASC09 has an unprecedented genetic barrier to resistance and has completed phase I and phase IIa clinical trials, which have shown potent anti-viral activity. After two weeks of mono-therapy, ASC09 demonstrated up to a 1.79 log viral load decrease (62-fold reduction of viral load in blood samples of patients). *In vitro* studies using viruses isolated from patients have shown that more than seven mutations are required before HIV develops resistance to ASC09, indicating that ASC09 has an unprecedented high genetic barrier to resistance compared to other approved protease inhibitors. The high genetic barrier to resistance makes ASC09 a promising candidate for HIV-therapy for both treatment-naïve and treatment-experienced patients. We plan to initiate a phase IIb clinical trial in 2020.

- ASC06 aims to be the first systematically delivered therapeutic drug to treat liver cancer by using RNA interference technology, which is designed to silence two genes critical for growth of liver cancer cells — VEGF and KSP. ASC06 has completed a phase I clinical trial of 41 patients and a phase I extension clinical trial of seven patients. We expect to initiate a phase II clinical trial of ASC06 in China in 2020.

We also have two in-house programs at discovery stage. One program is to develop novel therapies to achieve high functional cures for HBV, and the other is to develop breakthrough therapies for NASH against novel targets.

Visionary management leading a fully integrated anti-viral platform

We have built a fully integrated anti-viral platform covering the entire value chain from discovery and development to manufacturing and commercialization led by a management team, including world-class scientists, with extensive experience in developing and commercializing anti-viral drugs.

- *Founder*. Our founder, Dr. Wu, has dedicated his career to, and built our company with the goal of, discovering and developing innovative cures for life-threatening diseases including viral infections for patients in China and worldwide. Before founding our company, Dr. Wu was a vice president at GSK in the United States in charge of HIV drug discovery. Prior to GSK, he was vice president of Ambrilia (formerly Procyon), a publicly-traded company based in Montreal, in charge of pre-clinical and basic research in viral diseases and oncology. Dr. Wu was selected for the prestigious Thousand Talents Program (千人計劃) established by the PRC government.

- *Proven R&D team*. Our research and development expertise spans the areas of drug discovery, pre-clinical and clinical development of anti-viral drugs. Our research and development team is led by senior scientists from global pharmaceutical companies such as GSK and Roche. Over the past few years, our clinical team has focused on clinical development of danoprevir and ravidasvir, both of which are breakthrough drug candidates. We have a solid track record in terms of advancing novel drug candidates through clinical development. Danoprevir's IND application was approved in September 2015 and the NDA approval was granted by the CFDA on June 8, 2018 in only 33 months. Ravidasvir's phase II/III clinical trial was completed with a cure rate of 99% (SVR12) in April 2018.

- *Experienced commercialization team*. We have spent two years to build a commercialization team of approximately 150 members led by team leaders, many of which have extensive experience working at leading global pharmaceutical companies like Roche, BMS, GSK, Merck and Novartis in China, especially as HCV or HBV sales team members. See "— Experienced, established and well-prepared commercialization team" and "— Commercialization — Commercialization Team" for details of our commercialization team.

- *Strong manufacturing team*. In anticipation of the commercialization of our drug candidates, we have in the past three years built a manufacturing team with relevant experience gained at multi-national pharmaceutical companies such as Sanofi. We have built a manufacturing facility with an annual production capacity of 130 million tablets and obtained the drug production license for tablets and APIs (danoprevir and ravidasvir).

- *Strong endorsement from committed and sophisticated investors*. We have secured US$155 million in financing from a number of sophisticated investors, including C-Bridge Capital GP Ltd, Goldman Sachs Entities, Qianhai Cayman. Our investors have in-depth experience and expertise in investing in biotechnology companies.

We believe that our integrated anti-viral platform, led and guided by our experienced senior management team, will allow us to expand our operations and deliver sustainable growth in the future. Moreover, our platform has enabled us to become a partner-of-choice in China's anti-viral field for leading global pharmaceutical companies, as demonstrated by the high-quality clinical stage anti-viral assets that we have licensed from global pharmaceutical companies such as Roche and Johnson & Johnson.

BUSINESS STRATEGY

Our mission is to become a world-class biotechnology company addressing unmet medical needs in three therapeutic areas: anti-viral, cancer and fatty liver disease. We intend to capitalize on our strengths to pursue a business strategy with the following components.

Ramp up sales of Ganovo®

We have allocated significant resources in preparation for the launch of Ganovo®. To ramp up sales, we intend to:

- expand our commercialization team to increase our coverage of hospitals and doctors in regions with high HCV prevalence rates to achieve sustainable growth;

- increase accessibility of Ganovo® by expanding our network of distributors and network of DTP pharmacies;

- enhance the affordability of Ganovo® by (i) pursuing reimbursement listing at the national and provincial level by leveraging Ganovo®'s status as a Category 1 drug and breakthrough therapy; and (ii) engaging in active discussions with commercial insurance companies; and

- partner with diagnostic equipment and reagent manufacturers, independent clinical labs, health check-up networks and Internet healthcare companies to increase HCV awareness in healthy populations, and to identify more patients to be diagnosed and treated with our products.

Commercialize ravidasvir by leveraging our Ganovo® experience

Our phase II/III clinical trial was completed with a cure rate of 99% (SVR12). We plan to file our NDA in the third quarter of 2018. With the launch of ravidasvir, we will have both the RDV/DNV Regimen and Ganovo Regimen, which is a DAA All-oral Regimen and a DAA + PR Regimen, respectively, to compete with other regimens in China. By leveraging our regulatory and commercialization experience of Ganovo®, we believe we will be able to accelerate ravidasvir's NDA approval and maximize sales of ravidasvir.

Ravidasvir has been designated as a National Science and Technology Major Project for "Innovative Drug Development" under the 13th Five-year Plan by the NHFPC. We intend to file the NDA for ravidasvir as a Category 1 drug and ravidasvir has been designated for Priority Review by the CFDA, which, we believe, provide significant advantages in terms of market access and reimbursement opportunities.

Elevate patient awareness and education to increase demand for HCV treatments

The PRC government has introduced policies to raise awareness for HCV and boost the HCV diagnosis rate. For example, NHFPC introduced the standard for "Screening and Management of Hepatitis C Virus," which sets out classifications of HCV infections, procedures for screening and management of HCV patients applicable to healthcare institutions. The "National Planning for Prevention and Control of Viral Hepatitis" was also introduced in October 2017. To help the government's efforts to achieve China's national goal of substantially curing HCV, we intend to:

- partner with health check-up networks, diagnostic equipment and reagent manufacturers, hospitals, medical societies, non-profit organizations, independent clinical labs and Internet healthcare companies to raise awareness of HCV;

- work with national and local governments to develop and implement policies to improve diagnosis rates; and

- increase collaboration with KOLs. For example, we are currently working with KOLs to lead the Zhejiang HCV Free Initiative and we are also a member of the "Eliminate HCV in China Alliance."

Advance and strengthen our anti-viral pipeline

Capitalizing on our market position and know-how, we will seek to expand our product portfolio and R&D pipeline with a focus on drug candidates against HCV, HIV, HBV, liver cancer, and fatty liver disease.

We currently plan to advance three drug programs in our anti-viral pipeline in addition to danoprevir and ravidasvir. We expect to commence a phase IIb clinical trial for our HIV drug candidate in 2020. We have a third HCV drug candidate, which inhibits the NS5B polymerase, which has completed pre-clinical study and for which we plan to file an IND application in the third quarter of 2018 in China. We also have an HBV program at discovery stage. In addition, we plan to increase investment in our clinical development capacity by significantly expanding our research and development team.

We currently have a clinical-stage drug program for liver cancer and a discovery-stage drug program for fatty liver disease. We intend to continue our research and development activities in oncology and fatty liver disease, as well as in other diseases with unmet medical needs.

Leverage and strengthen our platform to further pursue in-licensing and acquisition opportunities

We have built a fully integrated anti-viral platform covering the entire value chain from discovery and development to manufacturing and commercialization. As a leading innovative biotechnology company in China, we believe that we have become an attractive partner of choice for global biopharmaceutical companies seeking to unlock the value of their assets in the China market. We believe that the in-licensing model represents an efficient way of complementing our existing pipeline. Accordingly, after the launch of our first products and the completion of the [REDACTED], we will leverage our strengths in the anti-viral field as well as our market position and financial strength to identify and successfully in-license and acquire assets. As of the Latest Practicable Date, we had not identified any specific acquisition targets.

OUR PRODUCT PIPELINE

Overview

We are a fully integrated anti-viral platform focused on developing innovative, best-in-class drugs against HCV, HIV and HBV. We currently have five anti-viral drug discovery and development programs, of which three were HCV therapies, one in HIV and another in HBV. In addition, we have two programs focused on liver diseases.

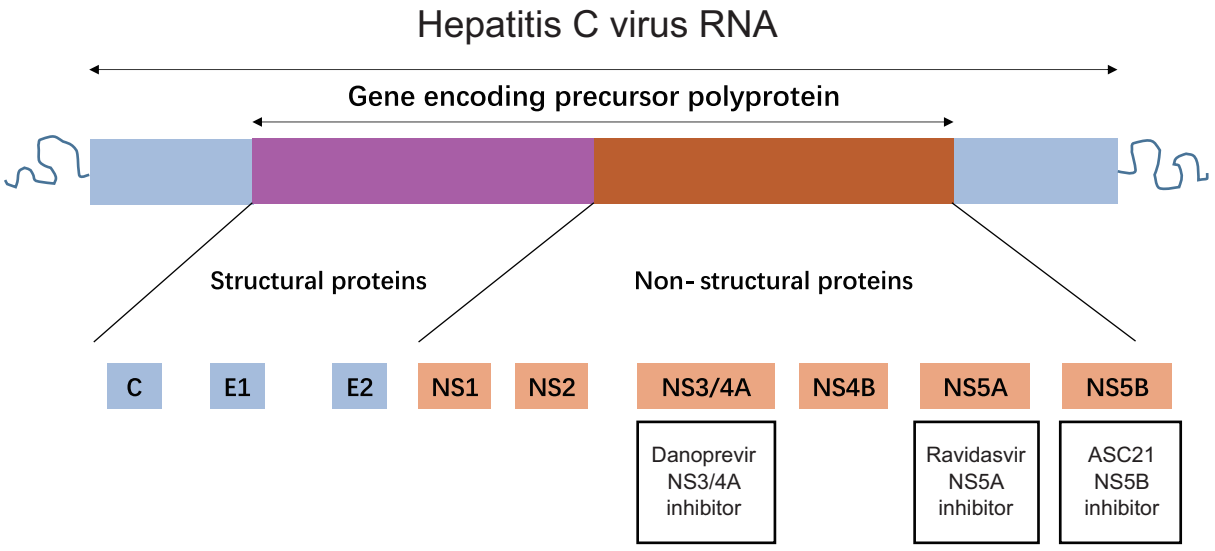
To date, two of our HCV drug candidates were at or near commercial-stage and one was IND-ready. Our HIV drug candidate has completed a phase IIa clinical trial and our liver cancer drug candidate has completed phase I and phase I extension clinical trials. The following table summarizes our product pipeline.

Field	Target	Indication	Drug Candidate	Pre-clinical	Phase I	Phase II	Phase III	NDA Filed	NDA Approved	Licensed From	Commercial Rights
Anti-viral	NS3/4A	HCV	Danoprevir							Roche	Greater China
	NS5A	HCV	Ravidasvir							Presidio	Greater China
	NS5B	HCV	ASC21							Medivir	Greater China
	Protease	HIV	ASC09							Janssen	PRC and Macau
	Undisclosed	HBV	Lead Identification							In-house	Global
Cancer	VEGF&KSP	Liver Cancer	ASC06							Alnylam	Greater China
Fatty Liver Disease	Undisclosed	NASH	Lead Identification							In-house	Global

HCV Drug Candidates

The HCV genome encodes ten polyproteins, comprising three structural proteins and seven non-structural (NS) proteins. Among these proteins, NS3/4A, NS5A, and NS5B are the only three validated targets for DAAs, according to the F&S Report. DAAs inhibit the activity of these three different non-structural proteins to stop the virus from replicating.

All three of our HCV drug candidates are DAAs and are different chemical compounds each designed to target one of the three different validated targets. Ganovo® is an NS3/4A protease inhibitor, ravidasvir is a NS5A inhibitor and ASC21 is a NS5B nucleotide polymerase inhibitor. With these three drug candidates, we plan to offer one regimen of DAA with interferon and two all-oral regimens: (i) Ganovo Regimen (with interferon), (ii) RDV/DNV Regimen (all-oral), and (iii) RDV/ASC21 Regimen (all-oral). The following diagram illustrates the protein targets of our HCV drug candidates.



- *Ganovo®*. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have begun to commercialize Ganovo® (danoprevir) in China. Ganovo® is an NS3/4A protease inhibitor, which, when administered in combination with pegylated interferon and ribavirin, demonstrates a 97% cure rate (SVR12) and superior safety profile with a short treatment duration of 12 weeks. The current primary regimen of pegylated interferon and ribavirin in China has a cure rate of approximately 60% (SVR24) with a treatment duration of 48 to 72 weeks.

- *Ravidasvir.* Our second HCV drug candidate, ravidasvir, which we believe is a best-in-class, NS5A protein inhibitor with pan-genotypic anti-viral activity, has completed a phase II/III clinical trial. We expect to file an NDA for ravidasvir in the third quarter of 2018. Our RDV/DNV Regimen is an all-oral, interferon-free HCV therapy and demonstrates a 99% cure rate (SVR12) and a superior safety profile with a short treatment duration of 12 weeks. The current primary regimen in China has a cure rate of approximately 60% (SVR24) with a treatment duration of 48 to 72 weeks. Our RDV/DNV Regimen displays a higher genetic barrier to resistance than the approved regimens, Daklinza/Sunvepra. In patients with baseline NS5A resistance mutations, our phase II/III clinical trial showed that our RDV/DNV Regimen demonstrates a cure rate of 100% (SVR12).

- *ASC21*. We are also developing ASC21, an IND-ready drug candidate, which is an NS5B nucleotide polymerase inhibitor. Pre-clinical studies have shown ASC21 to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. In combination with ravidasvir, RDV/ASC21 Regimen will be an all-oral treatment that we expect will offer an efficacious, safe, pan-genotypic regimen with a short treatment duration of 12 weeks or less.

With these therapies, we would be one of the only two companies in China and the only domestic company able to offer both DAA regimen with interferon and DAA all-oral regimen options to HCV patients, which will expand our coverage into a full range of HCV patients.

HIV Drug Candidate

ASC09 has the potential to be a best-in-class protease inhibitor to treat HIV type-1 ("**HIV-1**") infections. ASC09 has an unprecedented genetic barrier to resistance and has completed phase I and phase IIa clinical trials, which have shown potent anti-viral activity. In our phase IIa clinical trial, ASC09 demonstrated up to a 1.79 log of viral load decrease (62-fold reduction of viral load in blood samples of patients). These clinical trials have also shown that ASC09 is safe and well-tolerated. ASC09 is expected to initiate a phase IIb clinical trial in 2020.

Liver Cancer Drug Candidate

RNA interference is a naturally occurring cellular mechanism of regulating gene expression and is mediated by small interfering RNAs ("**siRNAs**"). We aim to develop ASC06 as the first systematically delivered therapeutic drug to treat liver cancer by using RNA interference technology, which is designed to silence two genes critical for the growth and development of cancer cells—

VEGF and KSP. ASC06 has completed phase I and phase I extension clinical trials of 41 patients and seven patients, respectively, which have shown that 50% patients who received ≥ 0.7 mg/kg dose achieved stable disease and one patient achieved a complete response. ASC06 is safe and well-tolerated. We expect to initiate a phase II clinical trial of ASC06 in China in 2020.

Pre-clinical Programs

We have two in-house drug programs at discovery stage. One is to develop novel therapies to achieve high functional cures for HBV. The other is to develop breakthrough therapies targets for NASH targeting novel targets.

Commercial Stage Product - Ganovo®

The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have begun to commercialize Ganovo® (danoprevir) in China. Ganovo® is a next generation small-molecule inhibitor of the HCV NS3/4A protease. A phase III clinical trial of the Ganovo Regimen has demonstrated a 97% cure rate (SVR12), a superior safety profile as compared to the current primary regimen of pegylated interferon and ribavirin and a short treatment duration of 12 weeks.

Our Ganovo Regimen is a far more effective treatment option than the current primary regimen of pegylated interferon and ribavirin for HCV in China. The current primary regimen demonstrates a cure rate of approximately 60% (SVR24) and has a lengthy treatment duration of 48 to 72 weeks. Ganovo® is comparable to the best imported drugs recently approved in China in terms of cure rate, treatment duration and safety profile. There are no comparable domestic products at our stage of commercialization in China as of the Latest Practicable Date, according to the F&S Report.

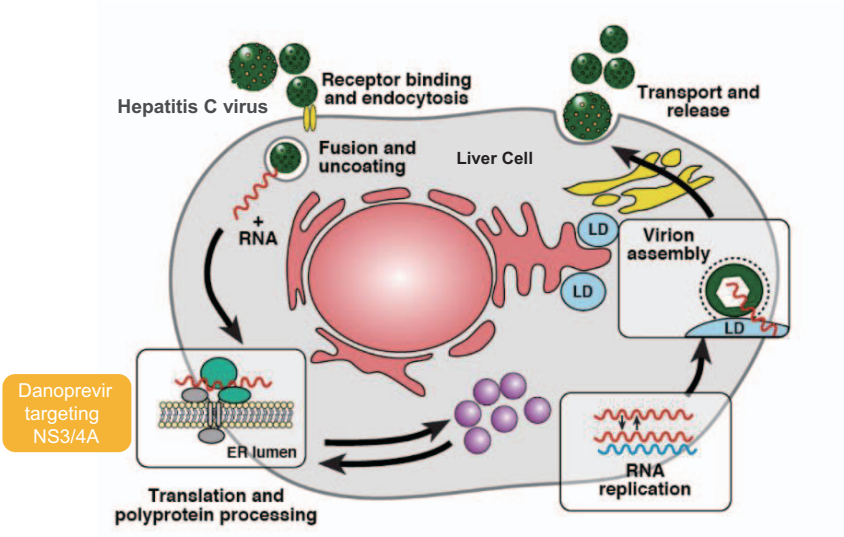
DAA regimens with interferon may further lower the incidence of liver cancer compared with DAA all-oral regimens. DAA regimens with interferon may also lower the incidence of HBV reactivation within the HBV/HCV co-infected population compared with DAA all-oral regimens. Moreover, over 90% of HCV patients in China tolerate DAA regimens with interferon, according to a 2014 study.

Danoprevir has been designated by CFDA for Priority Review. Danoprevir has also been selected by the NHFPC as a National Science and Technology Major Project for "Innovative Drug Development" under the 13th Five-year Plan. The NDA approval for danoprevir as a Category 1 drug was granted by the CFDA on June 8, 2018. Given the above, we believe danoprevir has an advantage in the following aspects: (i) government tender, (ii) hospital procurement, and (iii) reimbursement on NRDL or PRDL under China's national medical insurance plan.

We obtained sole and exclusive rights to certain patents and know-how of Roche to develop, manufacture and commercialize danoprevir in Greater China. See "— Exclusive Licensing Arrangements — Exclusive Licensing of Danoprevir from Roche" for more information.

Mechanism of Action

NS3/4A is a protease that plays an essential role in translation and polyprotein processing during the HCV viral replication process. Ganovo® binds to NS3/4A protease, thereby inhibiting NS3/4A protease activity and preventing NS3/4A from functioning in viral replication, which is critical to viral survival. The following diagram illustrates the mechanism of action of Ganovo®.



Current Therapies and Limitations

The current primary regimen for chronic HCV patients in China is weekly injections of pegylated interferon and daily oral doses of ribavirin. This regimen has the following limitations:

- *Low cure rates*. Only approximately 60% (SVR24) of the treated patients were cured after the treatment.

- *Lengthy treatment duration*. The current primary regimen requires a total of 48 to 72 weeks of treatment for HCV genotype 1. We believe that a significantly shorter duration of treatment would be preferred by patients and improve compliance with the treatment.

- *Considerable side effects and poor tolerability*. The current primary regimen is associated with considerable adverse effects, especially after the three-month treatment duration, such as psychosis, abnormal thyroid function, depression, fatigue, "flu-like" symptoms and hemolytic anemia. A study has shown that approximately 22% of patients discontinued during a current primary regimen of 48 weeks.

Advantages of Ganovo®

We believe that Ganovo Regimen has the following advantages:

- *Higher cure rate*. Ganovo Regimen demonstrated a 97% cure rate (SVR12) in a phase III clinical trial completed on 140 HCV patients, which is substantially higher than the current primary regimen in China.

- *Shorter treatment duration*. The 12-week Ganovo Regimen is significantly shorter than the 48 to 72 weeks treatment duration of the current primary regimen. We believe that shorter regimens will increase compliance to the treatment and improve patient tolerability.

- *Superior safety and tolerability profile*. No grade 3 or higher laboratory liver function abnormalties were observed in our phase III clinical trial of the Ganovo Regimen. Moreover, there was no discontinuation of use due to adverse events. The rate of serious adverse events potentially related to the use of Ganovo Regimen was approximately 0.7%.

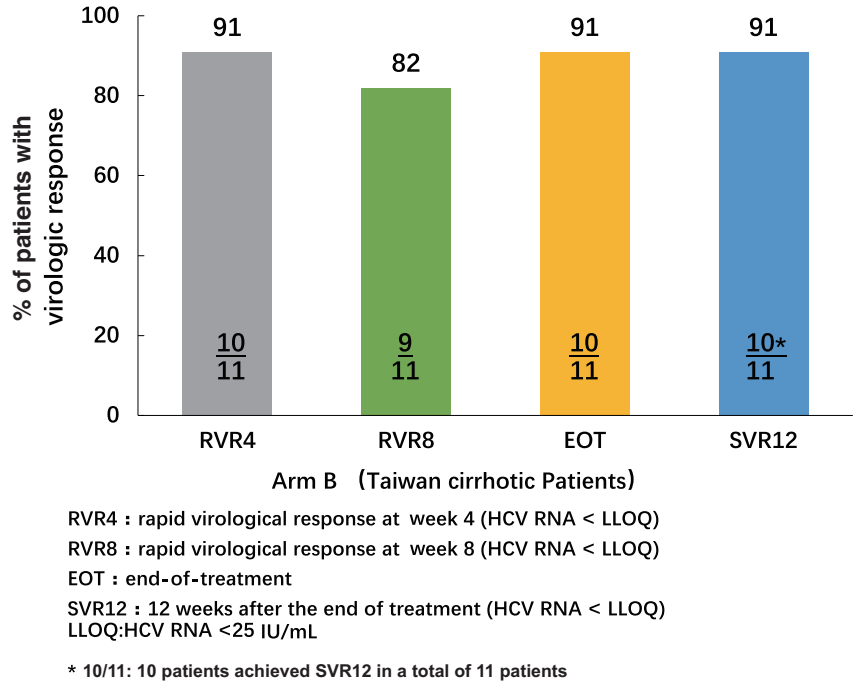
- *Potent anti-viral activity.* In pre-clinical studies, Ganovo® demonstrated potent activity against HCV NS3/4A protease derived from HCV genotypes 1 through 6 with sub-nanomolar to nanomolar potencies. In clinical trials, our Ganovo Regimen has shown an overall cure rate over 97% (SVR12) against HCV genotype 1 and 4 infections.

NS3 Genotype	DNV IC_{50}* ±SD(nM)
1b-K2040	0.33± 0.08
1a	0.35± 0.12
1b	0.36± 0.11
2b	1.8± 0.09
3a	3.2± 1.20
4	0.28± 0.04
5	0.34± 0.04
6	0.46± 0.03

* IC_{50} (half maximal inhibitory concentration) represents the concentration of a drug that is required for 50% inhibition of viral activity. IC_{50} is often used as a measure of a drug's potency, and a lower value indicates higher potency.

Source: Non-clinical pharmacology results summary

- *Efficacy in cirrhotic patients*. Clinical trials have demonstrated that Ganovo Regimen had a 91% cure rate (SVR12) in cirrhotic patients in Taiwan.



Source: Ritonavir-boosted danoprevir plus peginterferon alfa-2a and ribavirin in Asian chronic hepatitis C patients with or without cirrhosis, Journal of Gastroenterology and Hepatology 31 (2016)

- *High genetic barrier to resistance*. No pre-treatment genetic resistance testing is required for Ganovo® based on clinical trial results and expert consensus due to its high genetic barrier to resistance. In the phase III clinical trial, no virological breakthrough (on-treatment failure) occurred in patients receiving treatment.

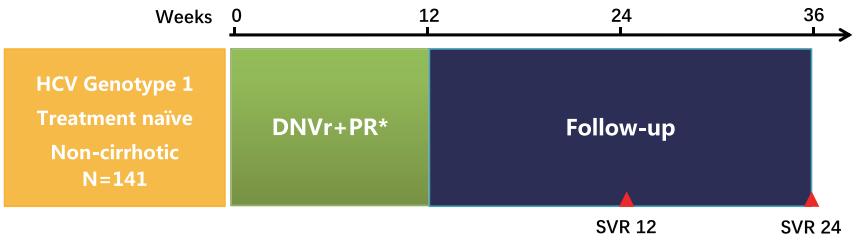
Summary of Clinical Results

As of the Latest Practicable Date, phase II and phase III clinical trials were completed for Ganovo®.

Phase III Clinical Trial (MANASA)

Study Design. Our phase III clinical trial was a multi-center, single-arm, open-label clinical trial conducted on 141 adult, non-cirrhotic, treatment-naïve, HCV genotype-1 patients. The primary purpose of the clinical trial was to assess the efficacy and safety of the regimen. The primary end point is the number of patients that achieve SVR12. All patients received a combination of danoprevir/ritonavir 100mg/100mg tablets twice-daily, subcutaneous injection of weekly pegylated

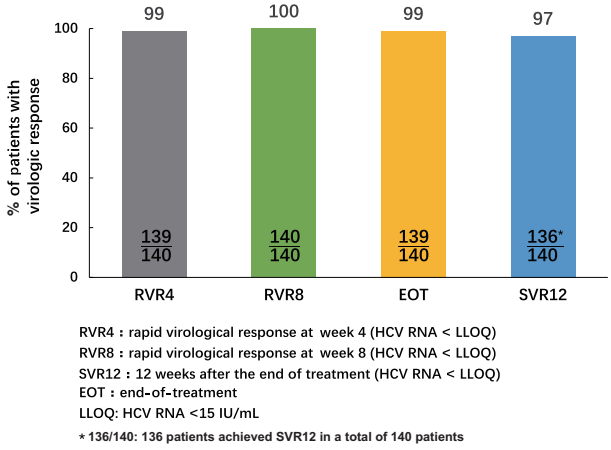
interferon at 180mcg and weight-based ribavirin 500mg or 600mg tablets twice-daily for 12 weeks. A follow-up was conducted 24 weeks after the treatment. The study design for this clinical trial is set out below.



* Pegylated interferon + Ribavirin

Source: Phase III clinical trial (MANASA) report

Efficacy. A total of 140 patients completed the treatment, of which 136 (97%) patients achieved SVR12. No patients experienced virological breakthrough (on-treatment failure) during the treatment. Only 4 patients (2.9%) relapsed after treatment. The SVR12 rate is consistent with the phase II clinical trial (MAKALU), which achieved a cure rate of 96% (SVR12), further confirming the efficacy of the treatment on patients with HCV genotype 1 infection in China. The following diagram sets forth the virologic response (including RVR4, RVR8, EOT and SVR12) from our phase III clinical trial.



Source: Phase III clinical trial (MANASA) report

Safety. The phase III clinical trial has shown the Ganovo Regimen to be safe and well-tolerated. Most adverse events were mild or moderate in severity (grade 1 or 2). The most common adverse events were anemia, fever, fatigue, headache, influenza-like symptoms, dizziness, decrease in appetite, rash and diarrhea. These adverse events are similar to those common to pegylated interferon

and ribavirin treatments. No laboratory liver function abnormalities of grade 3 severity or above were observed during the treatment. No patients withdrew from treatment due to drug-related adverse events.

Safety overview: clinically significant events		
	Treatment-related	
	n	%(N=141)
Subjects reporting SAE	2*	1.4%
AEs leading drug discontinuation	0	0.0%
Subjects reporting grade≥ 3 AE(s)	49	34.8%
Death	0	0.0%

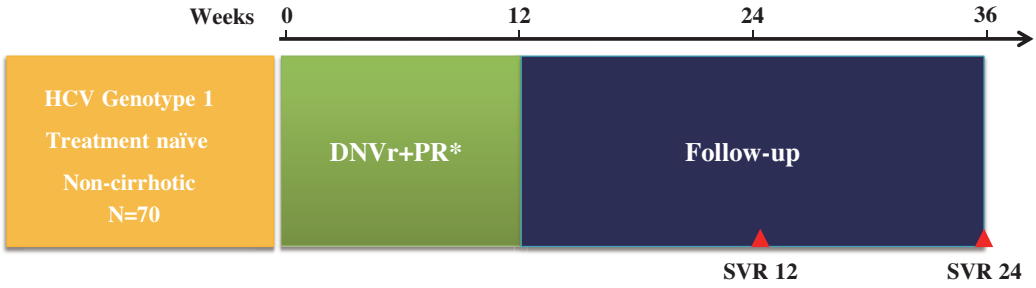
*Only one subject reported danoprevir-related SAE

Source: Phase III clinical trial (MANASA) report

Conclusion. Ganovo Regimen is efficacious in treating non-cirrhotic, treatment-naïve, HCV genotype 1 patients, with 97% of patients achieving SVR12, which shows superior cure rates compared to the current primary regimen available in the PRC. The treatment was generally safe and well-tolerated in patients, which is consistent with results of the phase II DAPSANG and MAKALU clinical trials. Most adverse events were considered to be related to pegylated interferon and ribavirin.

Phase II Clinical Trial (MAKALU)

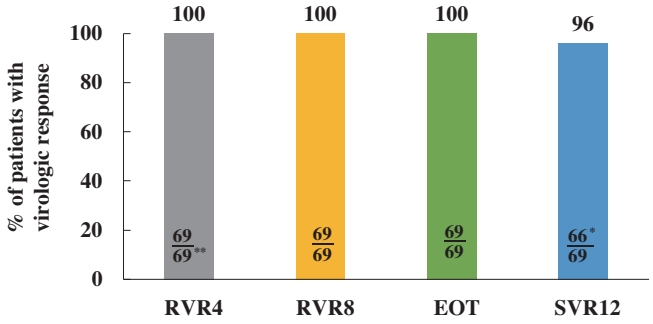
Study Design. Our phase II clinical trial was a multi-center, single-arm, open-label clinical trial conduced on 70 adult, non-cirrhotic, treatment-naïve, HCV genotype-1 patients. The primary purpose of the clinical trial was to assess the efficacy and safety of Ganovo Regimen. The primary end point is the number of patients that achieve SVR12. All patients received a combination of danoprevir/ritonavir 100mg/100mg tablets twice-daily, subcutaneous injection of weekly pegylated interferon at 180mcg and weight-based ribavirin 500mg or 600mg tablets twice-daily for 12 weeks. The study design for this clinical trial is set out below.



* Pegylated interferon + Ribavirin

Source: Phase II clinical trial (MAKALU) report

Efficacy. Among 69 patients that completed the 12-week treatment, 66 (96%) achieved SVR12. The following diagram sets forth the virologic responses (RVR4, RVR8, EOT and SVR12) from our phase II clinical trial.



RVR4: rapid virological response at week 4 (HCV RNA<LLOQ)
RVR8: rapid virological response at week 8 (HCV RNA<LLOQ)
EOT: end-of-treatment
SVR12: 12 weeks after the end of treatment, (LLOQ<15 IU/mL)
 # LLOQ: HCV RNA <15 IU/mL
*** 66/69: 66 patients achieved SVR12 in a total of 69 patients**
**** 1 patient withdrew due to the death from traffic accident**

Source: Phase II clinical trial (MAKALU) report

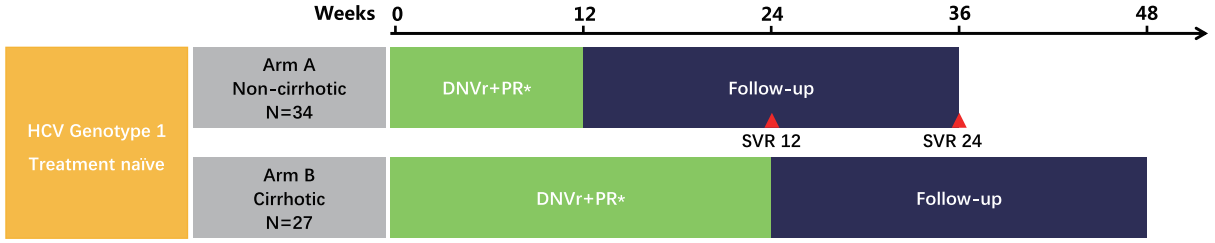
Safety. The phase II clinical trial has shown that Ganovo Regimen is safe and well-tolerated. The most common adverse events were mild or moderate in severity (grade 1 or 2). Most common adverse events were anemia, influenza-like symptoms, headache, fatigue, nausea. These adverse events are similar to those common to pegylated interferon and ribavirin treatments.

Conclusion. Ganovo Regimen is efficacious in treating non-cirrhotic, treatment-naïve, HCV genotype 1 patients, with 96% (66/69) of patients achieving SVR12, which shows superior cure rates compared to the current primary regimen available in China. The treatment was generally safe and well-tolerated, which is consistent with results of the phase II DAPSANG and phase III MANASA clinical trials. Most adverse events were considered to be related to pegylated interferon and ribavirin.

Phase II Clinical Trial (DAPSANG)

Study Design. Phase II clinical trial (DAPSANG) was an open-label study conducted on 61 patients (including 34 non-cirrhotic patients, Arm A, and 27 cirrhotic patients, Arm B) in specialist hepatology clinics in Taiwan, Thailand and South Korea. The objective was to evaluate the anti-viral activity, safety and pharmacokinetics of danoprevir in treatment-naïve, Asian patients with HCV genotype 1. All patients received a fixed dosage combination of danoprevir/ritonavir 125mg/100mg tablets twice-daily, subcutaneous injection of weekly pegylated interferon at 180mcg and

weight-based ribavirin 500mg or 600mg tablets twice-daily in two divided doses. The clinical trial was divided into Arm A and Arm B, the design of which is set out in the diagram below.



* Pegylated interferon + Ribavirin

Source: Ritonavir-boosted danoprevir plus peginterferon alfa-2a and ribavirin in Asian chronic hepatitis C patients with or without cirrhosis, Journal of Gastroenterology and Hepatology 31 (2016)

Efficacy. Arm A had 34 non-cirrhotic patients, of which 17 were from Taiwan. Among these 17 patients, 94% achieved SVR12. Arm B had 27 cirrhotic patients, of which 11 were from Taiwan. Among these 11 patients, 91% achieved SVR12.

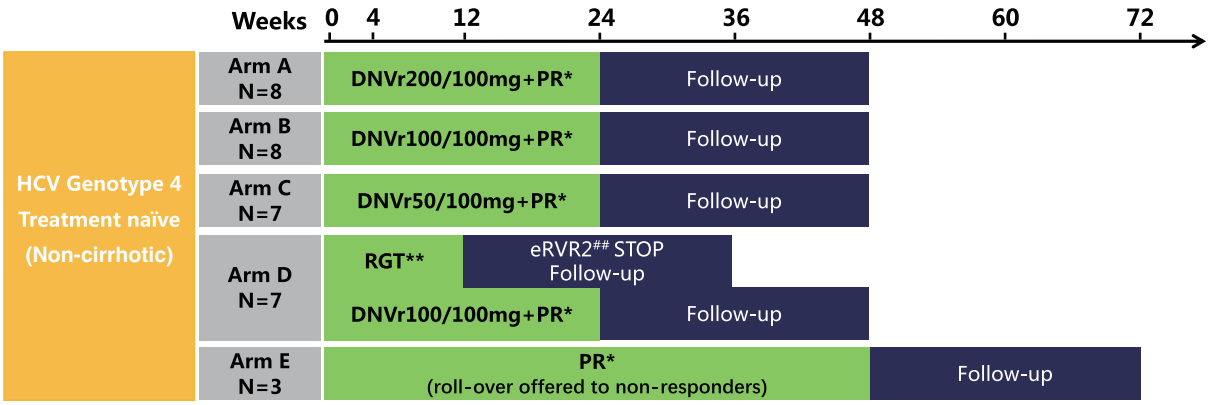
Safety. The studied therapy was safe and well-tolerated. Most of the adverse events were of mild to moderate intensity, the most frequently reported of which were anemia, pruritus, neutropenia, fatigue and decreased appetite. The three serious adverse events that occurred were not considered to be related to the studied treatment regimen. There were no deaths and no patients discontinued treatment because of adverse events.

Conclusion. Ganovo Regimen is efficacious and generally well tolerated for treatment-naive patients of East Asian or Southeast Asian origin who have HCV genotype 1 with or without compensated cirrhosis. The safety profile was consistent with the known safety profile for pegylated interferon and ribavirin combination therapy in patients with chronic hepatitis C. Among these 17 non-cirrhotic patients from Taiwan, 94% achieved SVR12. Among these 11 cirrhotic patients from Taiwan, 91% achieved SVR12.

Phase II Clinical Trial (DAUPHINE)

Study Design. Phase II clinical trial (DAUPHINE) was a multi-center, randomized, open-label, active-controlled phase IIb study conducted on treatment-naive, non-cirrhotic genotype 1 and 4 patients. The objective was to evaluate the appropriate dose and treatment duration of danoprevir plus pegylated interferon and ribavirin in HCV patients. Patients were randomized to one of five treatment arms, A through E. Patients in Arms A, B and C were treated for 24 weeks with peg-interferon alpha-2a 180 mcg/week and ribavirin 1000 mg/day (bodyweight <75 kg) or 1200 mg/day (bodyweight ≥75 kg) plus danoprevir/ritonavir at doses of 200/100 mg twice-daily (Arm A), 100/100 mg twice-daily (Arm B), or 50/100 mg twice-daily (Arm C). Patients in Arm D received response-guided therapy with peg-interferon alpha-2a/ribavirin plus danoprevir/ritonavir 100/100 mg twice-daily. Patients achieving

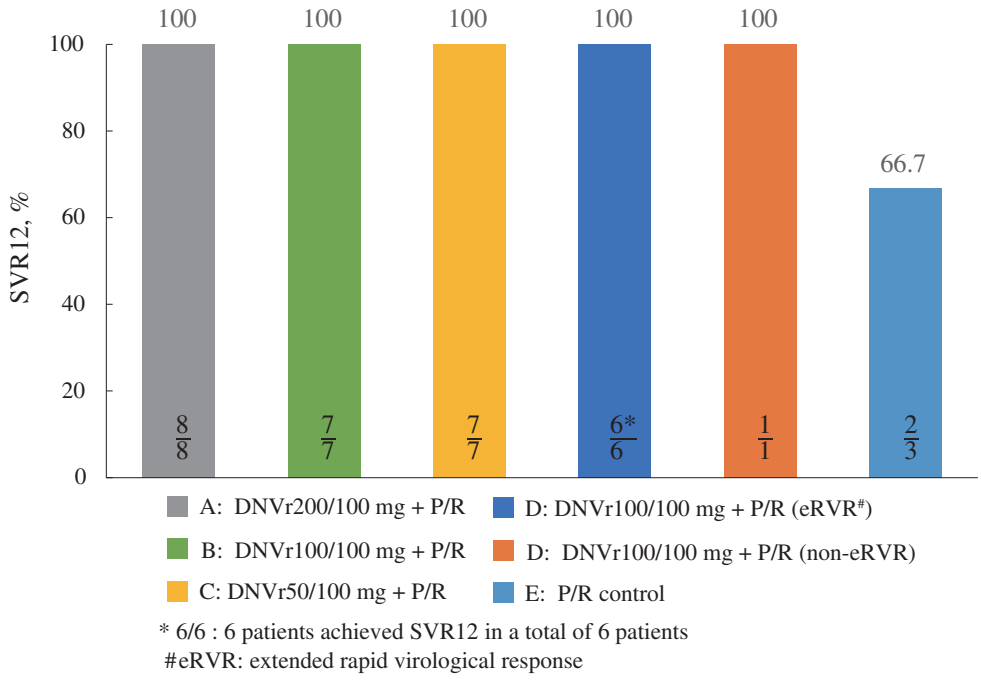
undetectable HCV RNA from weeks 2 to 10 (extended rapid virological response) stopped treatment at week 12. Patients without an eRVR2 were treated for 24 weeks. Patients in the control Arm E received peg-interferon alpha-2a plus ribavirin for 48 weeks according to the label. The study design only for HCV genotype 4 patients is set out below.



*PR: Pegylated interferon+Ribavirin
RGT**:response-guided therapy (DNVr 100/100 mg + PR)
##eRVR : extended rapid virological response

Source: DAUPHINE: a randomized phase II study of danoprevir/ritonavir plus peginterferon alpha-2a/ribavirin in HCV genotypes 1 or 4, Liver International (2015)

Efficacy. Ganovo Regimen achieved a cure rate of 100% (SVR12) on treatment-naive non-cirrhotic patients infected by HCV genotype 4 after 12 or 24 weeks of treatment as illustrated below.



Source: DAUPHINE: a randomized phase II study of danoprevir/ritonavir plus peginterferon alpha-2a/ribavirin in HCV genotypes 1 or 4, Liver International (2015)

Safety. Ganovo Regimen was generally well-tolerated compared with pegylated interferon and ribavirin alone. There was a higher incidence of serious adverse events in danoprevir-treatment arms, but most were associated with pegylated interferon and ribavirin.

Conclusion. The results of the phase II clinical trial (DAUPHINE) demonstrate that Ganovo Regimen is an efficacious and generally well-tolerated regimen, which is highly effective in treatment-naïve patients infected with HCV genotype 4. More importantly, this study shows that a treatment duration of 12 weeks with danoprevir/ritonavir plus peg-interferon alpha-2a/ribavirin may be sufficient to achieve an SVR12 in patients with HCV genotype 4 infection.

Competition

There is currently one competing DAA+PR Regimen in China, namely, Sovaldi (sofosbuvir) in combination with pegylated interferon and ribavirin ("**Sovaldi regimen**"). This product commenced sales in November 2017. In Sovaldi's phase III clinical trial in China, a total of 98 HCV genotype 1 patients completed the Sovaldi regimen for a treatment duration of 12 weeks. Sovaldi's phase III clinical trial in China demonstrated that the Sovaldi regimen had a cure rate of 94% (SVR12) for HCV genotype 1. In the phase III clinical trial, a total of 140 patients completed the Ganovo Regimen, which was a combination of danoprevir/ritonavir, pegylated interferon and ribavirin for 12 weeks. This phase III clinical trial demonstrated that the Ganovo Regimen had a cure rate of 97% (SVR12) for HCV genotype 1. These cure rates should be considered in light of the fact that they are from non-head-to-head clinical trials. We are the first domestic company to file an NDA for a DAA targeting the NS3/4A protease.

Other than our ravidasvir, as of the Latest Practicable Date, there were two DAA candidates in or beyond phase III clinical trial in China, namely HEC Pharm's yimitasvir and Kawin Technology's KW-136. See "Industry Overview — The Anti-Viral Drug Market in China — Hepatitis C — Competitive Landscape."

Material Communications and Next Steps

Since filing our NDA for danoprevir, we have had two rounds of communications with the CFDA in scheduled meetings. We have had no material difficulty in addressing comments of the CFDA, and the NDA approval for danoprevir was granted by the CFDA on June 8, 2018. We have begun to commercialize Ganovo® (danoprevir) in China. We also plan to engage in phase IV clinical trials after obtaining NDA approval. See "Regulations — Regulations Related to Pharmaceutical Product Development and Approval" and "Regulations — Regulations Related to the Clinical Trials and Registration of Drugs" for more information on the regulatory approval process of our drug candidates. Although we have received NDA approval for danoprevir, we cannot guarantee that we will be able to ultimately market Ganovo® (danoprevir) successfully.

NDA-Ready Candidate — Ravidasvir

Ravidasvir is a next generation and pan-genotypic NS5A inhibitor with a high genetic barrier to resistance. We plan to file an NDA for ravidasvir in the third quarter of 2018. Ravidasvir in combination with Ganovo®, or the RDV/DNV Regimen, forms an all-oral and interferon-free cure for HCV. Our phase II/III clinical trial has shown that RDV/DNV Regimen demonstrated a cure rate of 99% (SVR12) and a superior safety profile as compared to the current primary regimen of pegylated interferon and ribavirin and had a short treatment duration of 12 weeks. In patients with baseline NS5A resistance mutations, our phase II/III clinical trial showed that RDV/DNV Regimen demonstrated a cure rate of 100% (SVR12). Moreover, an interferon-free therapy offers the benefit of being more convenient.

RDV/DNV Regimen is a far more effective treatment option than the current primary regimen for HCV in China. The current primary regimen demonstrates a cure rate of approximately 60% (SVR24) and has a treatment duration of 48 to 72 weeks. Ravidasvir is comparable to the best imported drugs recently approved in China in terms of cure rate, treatment duration, safety profile and genetic barrier to resistance, with no comparable domestic products at our stage of development in China as of the Latest Practicable Date.

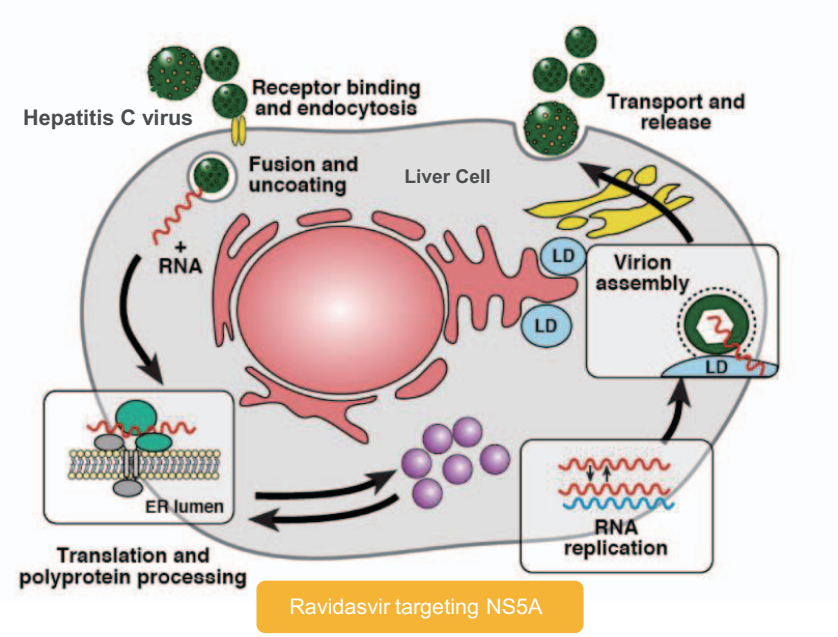
We intend to file the NDA for ravidasvir as a Category 1 drug in the third quarter of 2018 and ravidasvir has been designated Priority Review by the CFDA. Ravidasvir has also been selected by the NHFPC as a National Science and Technology Major Project for "Innovative Drug Development" under the 13th Five-year Plan. Leveraging the above, we believe ravidasvir has an advantage in the following aspects: (i) government tender, (ii) hospital procurement, and (iii) reimbursement breakthrough on the NRDL or PRDL under China's national medical insurance plan.

Since NS5A inhibitors have been a foundation of many effective all-oral regimens, ravidasvir is the backbone drug candidate in our overall HCV franchise. We obtained sole and exclusive rights from Presidio to develop, manufacture and commercialize ravidasvir in Greater China. See "— Exclusive Licensing Arrangements — Exclusive Licensing of Ravidasvir from Presidio" for more information.

Mechanism of Action

The NS5A protein plays an important role in HCV replication and complex interactions with cellular functions. Ravidasvir is an inhibitor that binds to the NS5A protein, blocking NS5A from carrying out its role in HCV replication and thereby suppressing the viral infection. In addition, the NS5A inhibitor has also been shown to block the formation of the membrane that protects the viral

genome and is the main site for HCV replication. The following diagram illustrates the mechanism of action of ravidasvir.



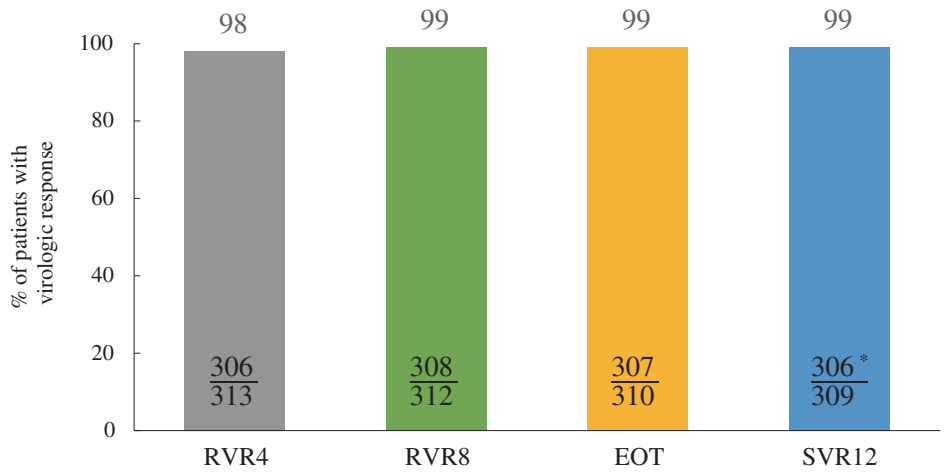
Current Therapies and Limitations

See "— Our Product Pipeline — Commercial Stage Product-Ganovo® — Current Therapies and Limitations."

Advantages of Ravidasvir

We believe that, based on our clinical trials, our RDV/DNV Regimen has the potential to address the limitations of the current primary regimen for HCV in the following aspects:

- *Best-in-class NS5A inhibitor*. Our RDV/DNV Regimen demonstrated a 99% cure rate (SVR12) in the phase II/III clinical trial in China with 309 HCV genotype 1 patients. Our RDV/DNV Regimen was substantially more efficacious than the current primary regimen (48- to 72-week treatment duration) in China. The following diagram sets forth the virological response (RVR4, RVR8, EOT and SVR12) from this clinical trial.

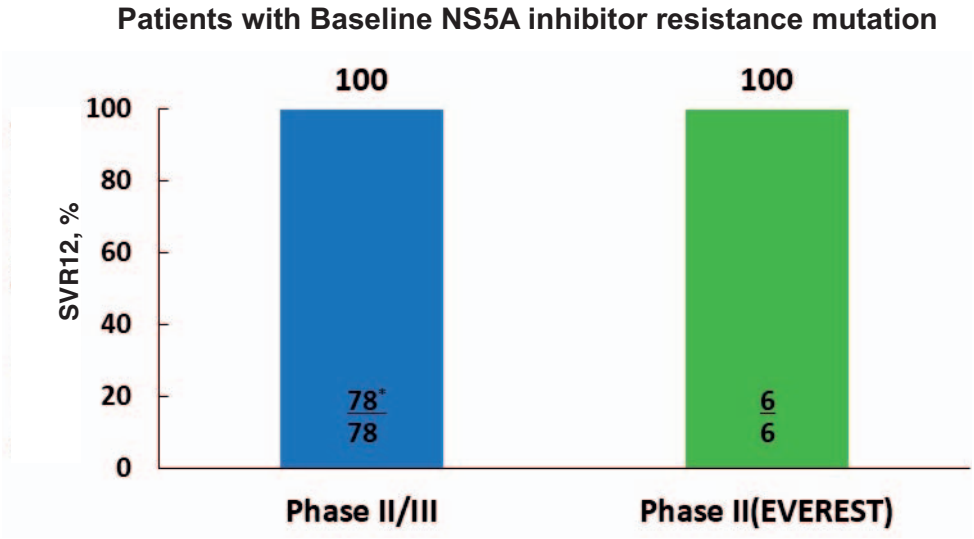


RVR4 : rapid virological response at week 4 (HCV RNA < LLOQ)
RVR8 : rapid virological response at week 8 (HCV RNA < LLOQ)
EOT : end-of-treatment
SVR12 : 12 weeks after the end of treatment (HCV RNA < LLOQ)
LLOQ: HCV RNA <15 IU/mL
* 306/309: 306 patients achieved SVR12 in a total of 309 patients

Source: Clinical trial result summary

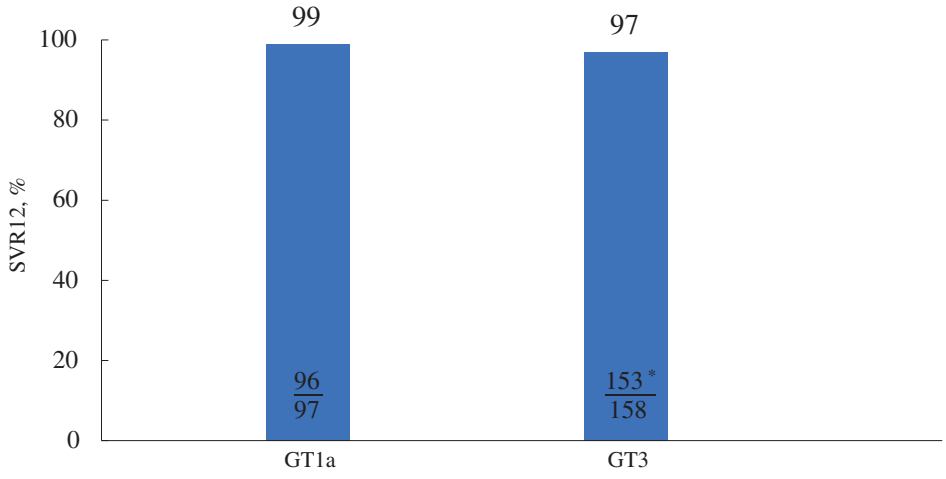
- *Highly efficacious for patients infected by HCV with baseline NS5A resistance mutations*. The RDV/DNV Regimen demonstrated a 100% cure rate (SVR12) for patients with baseline NS5A resistance mutations in our phase II/III clinical trial. Six patients in our phase II clinical trial (EVEREST) had baseline NS5A resistance mutations and 100% of these patients achieved SVR12. 19% of HCV patients in China carry baseline NS5A resistance mutations. Competitor products demonstrated a cure rate of 20% (SVR12) in treating patients infected by HCV genotype 1b with baseline NS5A resistance mutations. The

following diagrams set forth the SVR12 of patients with baseline NS5A resistance mutations in our phase II/III clinical trial and phase II clinical trial (EVEREST).



Source: Clinical trial result summary; Twelve-week Ravidasvir plus ritonavir-boosted Danoprevir and ribavirin for non-cirrhotic HCV genotype 1 patients: A phase 2 study, Journal of Gastroenterology and Hepatology (2018)

- *Efficacious for hard-to-cure genotypes*. Phase III clinical trial of RDV/SOF Regimen demonstrated a 99% cure rate (SVR12) in genotype 1a patients and 97% cure rate (SVR12) in genotype 3 patients. The following diagram sets forth the SVR12 of patients infected with hard-to-cure HCV genotypes in a phase III clinical trial for RDV/SOF Regimen.

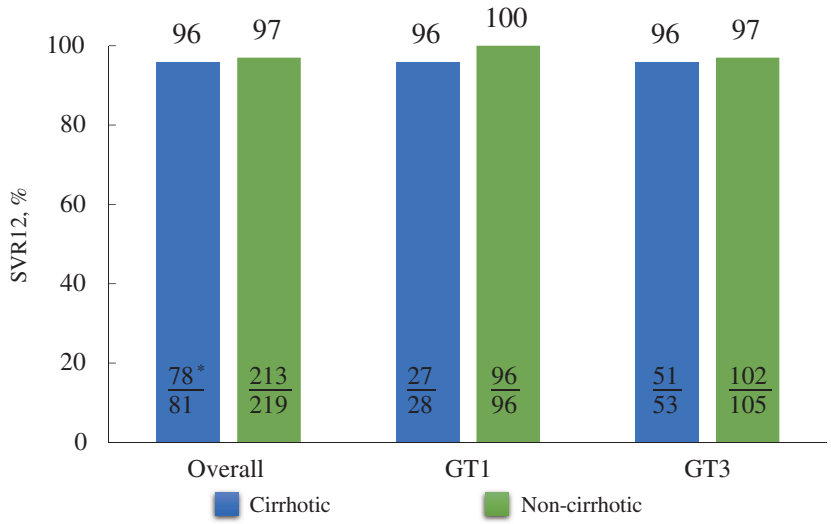


* 153/158 : 153 patients achieved SVR12 in a total of 158 patients

Source: Safety and efficacy of ravidasvir plus sofosbuvir for 12 weeks in non-cirrhotic and 24 weeks in cirrhotic patients with hepatitis C virus genotypes 1, 2, 3 and 6: the STORM-C-1 phase II/III trial stage 1 results, The International Liver Congress, April 2018

- *Efficacious in cirrhotic patients*. Phase III clinical trial of RDV/SOF Regimen demonstrated a 96% cure rate (SVR12) in cirrhotic patients. The following diagram sets forth the SVR12 for cirrhotic patients in a phase III clinical trial.

Cirrhotic/Non-cirrhotic Patients in Phase III Clinical Trial (Global)

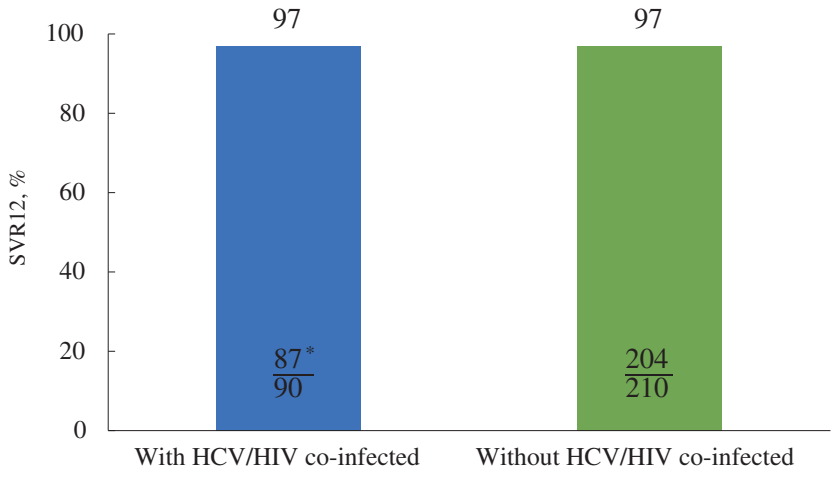


* 78/81 : 78 patients achieved SVR12 in a total of 81 patients

Source: Safety and efficacy of ravidasvir plus sofosbuvir for 12 weeks in non-cirrhotic and 24 weeks in cirrhotic patients with hepatitis C virus genotypes 1, 2, 3 and 6: the STORM-C-1 phase II/III trial stage 1 results, The International Liver Congress, April 2018

- *Efficacious for HCV/HIV co-infected patients*. Phase III clinical trial of RDV/SOF Regimen demonstrated a 97% cure rate (SVR12) in HCV/HIV co-infected patients. The following diagram sets forth the SVR12 for HCV/HIV co-infected patients in a phase III clinical trial.

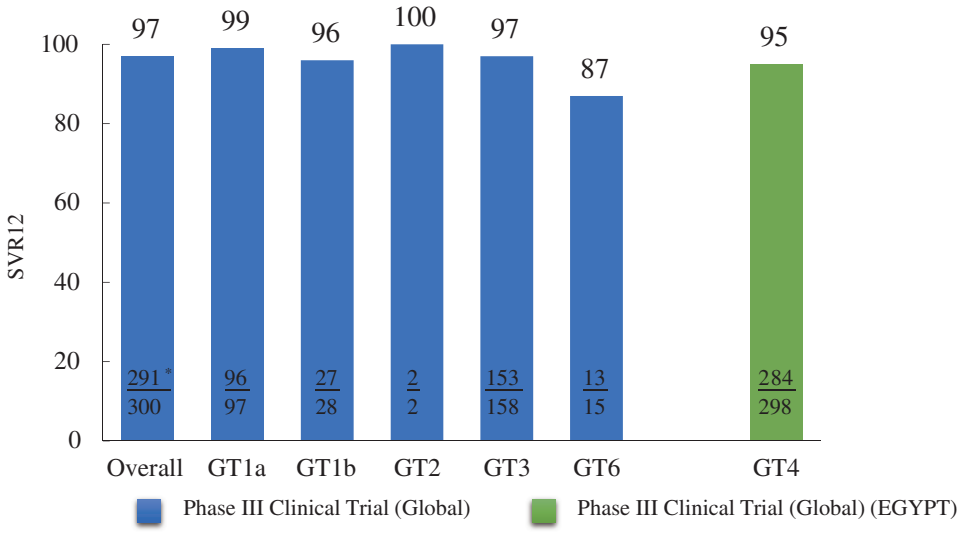
Patients With/Without HCV/HIV Co-infection in Phase III Clinical Trial (Global)



* 87/90 : 87 patients achieved SVR12 in a total of 90 patients

Source: Safety and efficacy of ravidasvir plus sofosbuvir for 12 weeks in non-cirrhotic and 24 weeks in cirrhotic patients with hepatitis C virus genotypes 1, 2, 3 and 6: the STORM-C-1 phase II/III trial stage 1 results, The International Liver Congress, April 2018

- *Pan-genotypic anti-viral activity against genotypes 1 to 6. In vitro* studies have shown that ravidasvir has potent anti-viral activity against HCV genotypes 1 to 6. Two phase III clinical trials of RDV/SOF Regimen demonstrated an overall 97% cure rate (SVR12) in genotypes 1, 2, 3 and 6 and 95% cure rate (SVR12) in genotype 4. The following diagram sets forth the SVR12 for the HCV genotypes indicated below in phase III clinical trials.



* 291/300 : 291 patients achieved SVR12 in a total of 300 patients

Source: Effectiveness of ravidasvir plus sofosbuvir in interferon-naive and treated patients with chronic hepatitis C genotype 4, Journal of Hepatology (2017); Poster presentations published on Journal of Hepatology (2018 vol.68)

- *Shorter treatment duration*. Our 12-week RDV/DNV Regimen is significantly shorter than the 48 to 72 week treatment duration of the current primary regimen. We believe that a shorter regimen will increase compliance to the treatment and improve patient tolerability.

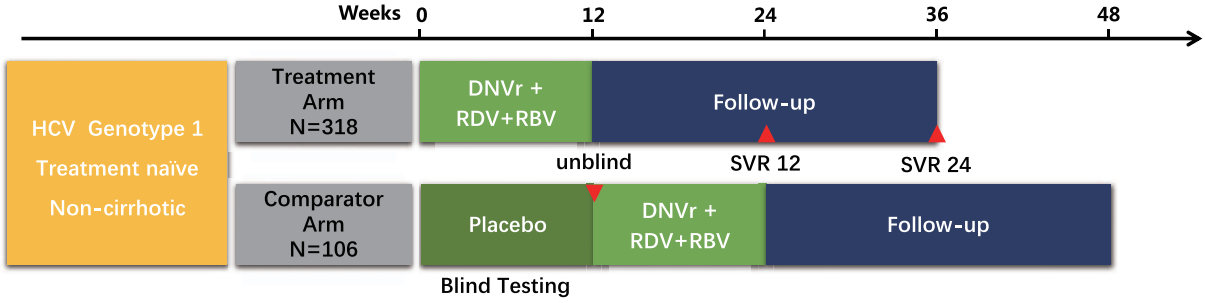
- *Superior safety and tolerability profile*. Our phase II/III clinical trial have shown our RDV/DNV Regimen to be safe and well-tolerated. There were no treatment-related serious adverse events. Except for anemia and hyperuricemia, the occurrence of adverse event was similar between the RDV/DNV treatment group and placebo group. The higher occurrence rate of anemia in the RDV/DNV treatment group may be related to the use of ribavirin.

Summary of Clinical Results

As of the Latest Practicable Date, we had completed phase II and phase III clinical trials for ravidasvir.

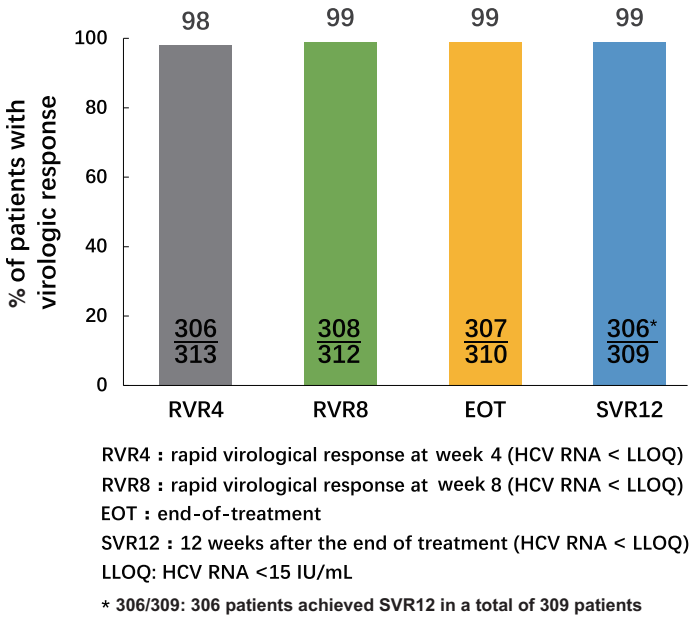
Phase II/III Clinical Trial

Study Design. In this multi-center, double-blinded, placebo-parallel phase II/III clinical trial, 425 non-cirrhotic, treatment-naïve, HCV genotype 1 patients were enrolled in 41 centers in China. Patients were randomized and distributed to the ravidasvir plus danoprevir group with 318 (n=318) and the placebo group (n=106) in a proportion of 3:1, one patient withdrew before treatment. The treatment protocol involved a combination of ravidasvir 200mg once-daily plus danoprevir/ritonavir 100mg/100mg twice-daily, and weight-based ribavirin 500mg or 600mg tablets for 12 weeks. The study design for this clinical trial is set out below.



Source: Clinical trial result summary

Efficacy. The primary endpoint was the rate of sustained virologic response 12 weeks after the end of treatment (SVR12). 306 out of 309 (99%) patients that completed treatment achieved SVR12. The following chart sets forth the virologic responses (including RVR4, RVR8, EOT and SVR12) from our phase II/III clinical trial.



Source: Clinical trial result summary

Resistance. 78 of the patients in our phase II/III clinical trial in China had baseline NS5A resistance mutations.

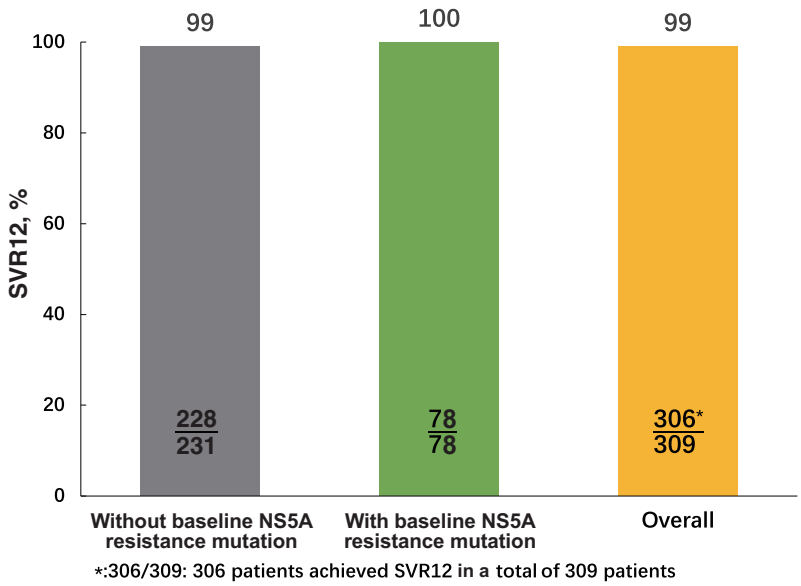
Impact of Baseline NS5A Resistance Mutations on Efficacy (N=318)

Patients with HCV NS5A resistance mutation at baseline*[n(%)]	Patients without HCV NS5A resistance mutation at baseline [n(%)]
78 (24.5%)	240 (75.5%)

* Baseline NS5A resistance mutations were at positions of 28, 30, 31, 93.

Source: Data analysis from clinical trials

Our regimen demonstrated efficacy for patients with such mutations, with 100% of the patients achieving SVR12 (78/78) as shown in the following chart, indicating a high genetic barrier of the regimen to drug resistance.



Source: Clinical trial result summary and data analysis from clinical trials

Safety. The phase II/III clinical trial in China has shown the ravidasvir plus ritonavir-boosted danoprevir and ribavirin regimen to be safe and well-tolerated. There were no treatment-related serious adverse events. Except for anemia and hyperuricemia, the occurrence of adverse event is similar between the ravidasvir/danoprevir treatment group and placebo group. The higher occurrence rate of anemia in ravidasvir/danoprevir treatment group may be related to the use of ribavirin.

The following table sets forth the most common adverse effects in this clinical trial.

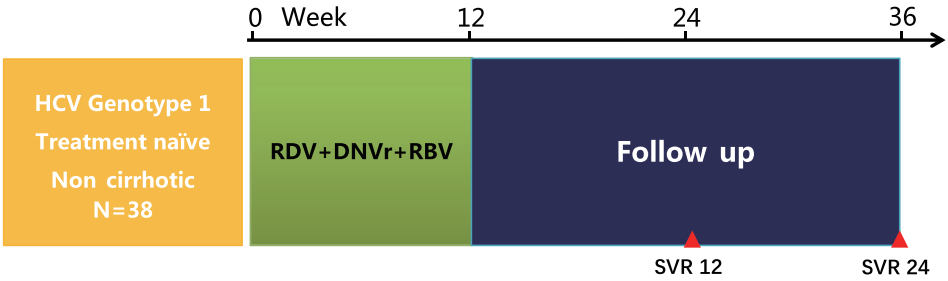
Safety overview: clinically significant events		
	Treatment-related	
	n	%(N=318)
Subjects reporting SAE	0	0.0%
AEs leading drug discontinuation	1	0.3%
Subjects reporting grade ≥ 3 AE(s)	15	4.7%
Death	0	0.0%

Source: Data analysis from clinical trials

Conclusion. The all-oral 12-week treatment regimen of combined use of ravidasvir with danoprevir was effective, safe and well-tolerated. 306 out of 309 (99%) subjects that completed treatment achieved SVR12.

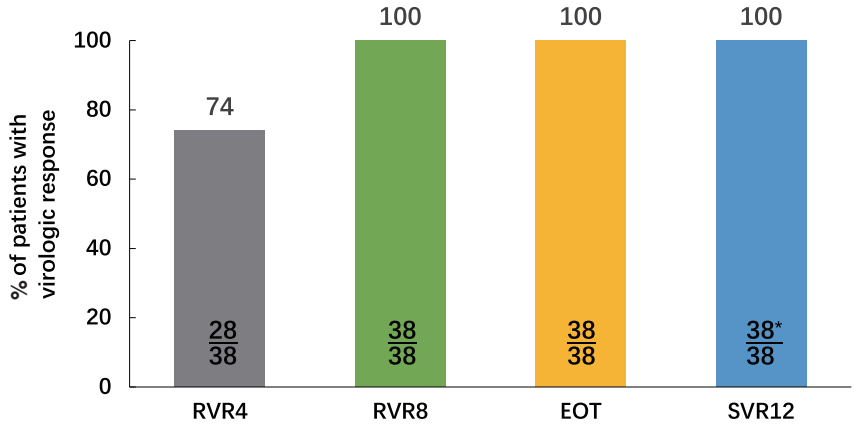
Phase II Clinical Trial (EVEREST)

Study Design. We have completed a phase II clinical trial to assess the efficacy and safety of an interferon-free, 12-week ravidasvir plus ritonavir-boosted danoprevir and ribavirin. Our phase II clinical trial was a single-arm, non-comparative, open-label clinical trial conducted on 38 adult, treatment-naïve, non-cirrhotic HCV genotype 1 patients between December 2015 to March 2016. All patients received an all-oral combination of ravidasvir 200mg tablets once-daily, danoprevir 100mg tablets twice-daily, ritonavir 100mg tablets twice-daily and weight-based ribavirin 500mg or 600mg tablets twice-daily for 12 weeks. A follow-up was conducted 24 weeks after stopping the regimen. The study design for this clinical trial is set out below.



Source: Twelve-week ravidasvir plus ritonavir-boosted danoprevir and ribavirin for non-cirrhotic HCV genotype 1 patients: A phase 2 study, Journal of Gastroenterology and Hepatology (2018)

Efficacy. Primary efficacy indicators were the proportion of patients achieving SVR12 after the end of treatment. All 38 patients that completed treatment achieved SVR12. The following diagram sets forth the virologic responses (including RVR4, RVR8, EOT and SVR12) from our phase II clinical trial.



RVR4 : rapid virological response at Week 4 (HCV RNA<LLOQ)
RVR8 : rapid virological response at Week 8 (HCV RNA<LLOQ)
EOT : end-of-treatment
SVR12 : 12 weeks after the end of treatment (LLOQ<12 IU/mL)
#:LLOQ: HCV RNA <12 IU/mL
*38/38: 38 patients achieved SVR12 out of a total of 38 patients

Source: Twelve-week ravidasvir plus ritonavir-boosted danoprevir and ribavirin for non-cirrhotic HCV genotype 1 patients: A phase 2 study, Journal of Gastroenterology and Hepatology (2018)

Resistance. Six of the patients in our phase II clinical trial had baseline NS5A resistance mutations (L31 and Y93).

Impact of Baseline NS5A Resistance Mutations on Efficacy (N=37)*

Patients with HCV NS5A resistant mutation at baseline [n(%)]	Patients without HCV NS5A resistant mutation at baseline [n(%)]
6(16.2%)	31(83.8%)

* The sequence of one among 38 patients was not accurately detected

Source: Twelve-week ravidasvir plus ritonavir-boosted danoprevir and ribavirin for non-cirrhotic HCV genotype 1 patients: A phase 2 study, Journal of Gastroenterology and Hepatology (2018)

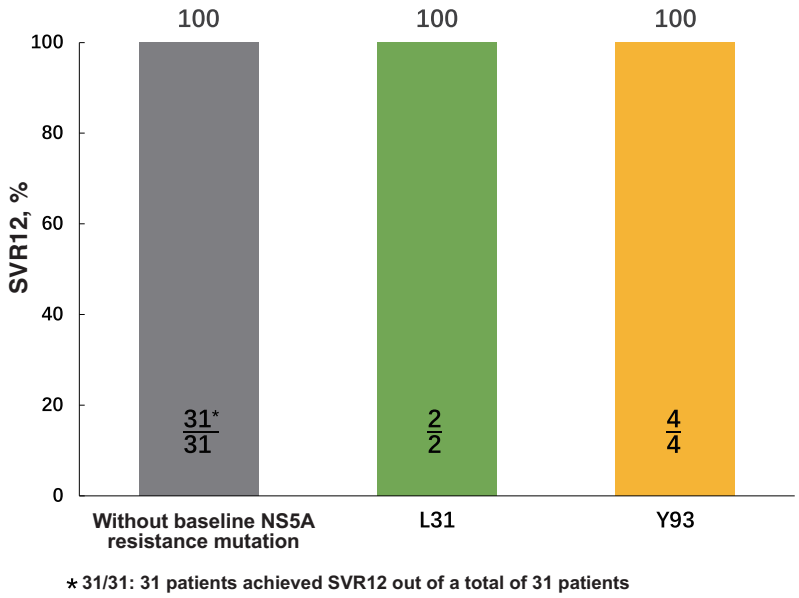
Number of Baseline NS5A Resistance Mutations

(HCV NS5A Amino Acid and its Position)	Resistant Site Substitution	Number of Cases
L31	L31M*	2
Y93	Y93H	1
	Y93Y/C	1
	Y93Y/H	2

* Two patients showed resistance mutation at the NS5A amino acid position 31 from leucine to methionine

Source: Twelve-week ravidasvir plus ritonavir-boosted danoprevir and ribavirin for non-cirrhotic HCV genotype 1 patients: A phase 2 study, Journal of Gastroenterology and Hepatology (2018)

Our regimen demonstrated efficacy for patients with such mutations, with all of the patients achieving SVR12 as shown in the following chart. No virologic breakthrough or relapse occurred during or after the treatment, indicating a high genetic barrier of the regimen to resistance.



Source: Twelve-week ravidasvir plus ritonavir-boosted danoprevir and ribavirin for non-cirrhotic HCV genotype 1 patients: A phase 2 study, Journal of Gastroenterology and Hepatology (2018)

Safety. The phase II clinical trial has shown that the RDV/DNV Regimen to be safe and well-tolerated by patients. No patients withdrew from the drug treatment due to adverse events. No life-threatening adverse event or death was found in the patients. Most of the adverse events were mild or moderate. No grade 3 or higher laboratory abnormalities related to the trial drugs were observed.

Conclusion. The oral treatment regimen of combined use of ravidasvir with danoprevir and ribavirin was effective in non-cirrhotic, treatment-naïve subjects with HCV genotype 1 infection. 100% (38/38) of the subjects achieved SVR12. No subjects experienced virologic breakthrough during the treatment. No relapse was found in all subjects within 24-week follow-up after the end of treatment. Six subjects, or 16.2%, who had a HCV baseline NS5A resistance mutations achieved SVR12 (100%, 6/6). Our RDV/DNV Regimen was shown to be safe and well-tolerated.

Competition

As of the Latest Practicable Date, the CFDA had approved two all-oral regimens for HCV genotype 1b patients for commercialization in China. Viekirax/Exviera and Daklinza/Sunvepra regimens, which were launched in 2017, have limitations in terms of efficacy, resistance and genotype. In non-head-to-head clinical trials, Viekirax/Exviera and Daklinza/Sunvepra had cure rates of 99.5% (SVR12) and 91% (SVR24), respectively. For baseline NS5A resistance mutation patients, Daklinza/Sunvepra only demonstrated a cure rate of 20% (SVR24) in HCV patients in the PRC. Daklinza/Sunvepra required pre-treatment resistance testing under the Asian Pacific Association for the Study of the Liver (APASL) guidelines. Both drugs are limited to treat HCV genotype 1b patients.

As of the Latest Practicable Date, Gilead has received NDA approval for a combination therapy of Sovaldi (sofosbuvir) and ribavirin ("SOF/RBV Regimen") with the treatment duration of 24 weeks for HCV genotypes 1 and 3, and 12 weeks for HCV genotype 2 patients. The SOF/RBV Regimen demonstrated a cure rate of 95% (SVR12) for HCV genotype 1 and 3 patients, and 92% (SVR12) for HCV genotype 2 patients. In non-head-to-head clinical trials, our RDV/DNV Regimen demonstrated that it is a pan-genotypic, 12-week regimen with a cure rate of 99% (SVR12) for HCV genotype 1 patients. Moreover, a phase III clinical trial of RDV/SOF Regimen demonstrated a cure rate of 100% (SVR12) for HCV genotype 2 patients and 97% (SVR12) for HCV genotype 3 patients with a short treatment duration of 12 weeks. Merck received NDA approval of Zepatier (elbasvir and grazoprevir) (the "EBR/GRZ Regimen") in April 2018. The EBR/GRZ Regimen demonstrated a cure rate of 95% (SVR12) for HCV genotype 1 patients in a 12-week treatment duration. Gilead received NDA approval of Epclusa (sofosbuvir and velpatasvir) in China in May 2018. Clinical trials of Epclusa in the United States demonstrated cure rates of 98.4%, 100%, 95%, 100% and 100% for HCV genotypes 1, 2, 3, 4 and 6 patients, respectively. These cure rates should be considered in light of the fact that they are from non-head-to-head clinical trials. In addition, Gilead submitted an NDA for Harvoni (sofosbuvir/ledipasvir) in December 2017.

We are the first domestic company to complete phase II/III clinical trial of an all-oral and interferon-free regimen, achieving a cure rate of 99% (SVR12). Other than our ravidasvir, as of the Latest Practicable Date, there were two DAA candidates in or beyond phase III clinical trial in China, namely HEC Pharm's yimitasvir and Kawin Technology's KW-136. See "Industry Overview — The Anti-Viral Drug Market in China — Hepatitis C — Competitive Landscape."

Material Communications and Next Steps

In preparation for the filing of our NDA for ravidasvir, we have had one round of communications with the CFDA in a scheduled meeting. In the meeting, we presented our clinical data and research on ravidasvir and the CFDA reviewed our clinical trial design and data and other research data. The CFDA did not raise any material comments or concerns with respect to our clinical trials. In the meeting, the CFDA suggested certain analyses of data and completion of certain studies prior to our NDA filing. We have been working on these suggested analyses and studies, which will be completed before our NDA filing.

We target to file an NDA for ravidasvir in the third quarter of 2018. We also plan to engage in phase IV clinical trials after obtaining NDA approval. See "Regulations — Regulations Related to the Clinical Trials and Registration of Drugs" for more information on the regulatory approval process of our drug candidates. We cannot guarantee that we will be able to file NDA for ravidasvir in a timely manner if at all, obtain NDA approval or ultimately market ravidasvir successfully.

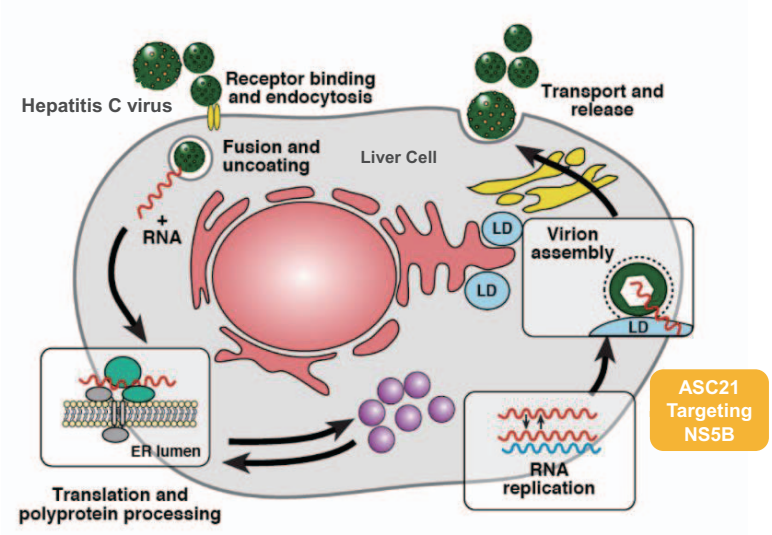
ASC21: IND-Ready Drug Candidate

We have developed ASC21, an IND-ready nucleotide inhibitor targeting HCV NS5B. Pre-clinical studies have shown ASC21 to be potent, pan-genotypic with a high genetic barrier to resistance. ASC21, in combination with ravidasvir, forms a regimen which has the potential to be pan-genotypic and to treat difficult-to-cure, cirrhotic and HCV/HIV co-infected patients.

We obtained sole and exclusive rights under Medivir's composition-of-matter and anti-viral treatment patent estate from Medivir to develop, manufacture and commercialize ASC21 in Greater China. See "— Exclusive Licensing Arrangements — Exclusive Licensing of ASC21 HCV NS5B Nucleotide Polymerase Inhibitor from Medivir" for more information. ASC21 has completed pre-clinical studies and we plan to file an IND application in the third quarter of 2018 in China. We have made inquiries with the CFDA regarding the IND filing for ASC21 through CFDA's consultation hotline, and based on the responses we received, we foresee no material impediments in the IND filing for ASC21.

Mechanism of Action

The NS5B polymerase plays an important role in HCV replication. ASC21 is a nucleotide inhibitor that binds to the NS5B polymerase, blocking the NS5B polymerase from carrying out its role in HCV replication and thereby suppressing the viral infection. The following diagram illustrates the mechanism of action of ASC21.



Advantages of ASC21 Demonstrated by Pre-clinical Studies

Anti-viral activity. ASC21 displayed pan-genotypic anti-viral potency in HCV replicons of all genotypes from 1 to 6, with an EC_{50} ranging from 17-58 nM. In comparison, the EC_{50} range for sofosbuvir was higher at 48-219nM. The following table illustrates the superior activity of ASC21 versus sofosbuvir in HCV replicons encoding the NS5B polymerase across all HCV genotypes.

HCV Assay	Sofosbuvir EC_{50}(μM)	ASC21 EC_{50}(μM)
HCV GT1b(stable)	0.098(n=128)	0.045(n=65)
HCV GT1b(transient)	0.081(n=31)	0.044(n=22)
HCV GT1a	0.13(n=18)	0.050(n=18)
HCV GT2a replicon	0.048(n=2)	0.023(n=2)
HCV GT2a virus	0.054(n=4)	0.017(n=3)
HCV GT3a	0.13(n=8)	0.046(n=8)
HCV GT4a	0.21(n=9)	0.058(n=9)
HCV GT5a	0.12(n=6)	0.042(n=9)
HCV GT6a	0.17(n=5)	0.055(n=7)

* EC_{50} (half maximal effective concentration) represents the concentration of a drug where 50% of its maximal effect is observed. EC_{50} is often used as a measure of a drug's potency, and a lower value indicates higher potency.

n indicates the number of repeated tests.

Source: Preclinical characterisation of MIV-802, a novel uridine nucleotide HCV NS5B polymerase inhibitor, for treatment of hepatitis C virus infection, The 50th International Liver Congress, April 2015

Resistance. ASC21 showed a high genetic barrier to resistance *in vitro*. ASC21 was evaluated for inhibition of HCV replicons encoding sofosbuvir-associated resistance mutations in NS5B. The data revealed that ASC21 had a lower EC_{50} compared to sofosbuvir, indicating higher potency of ASC21. The following table illustrates the anti-viral activity of ASC21 versus sofosbuvir-associated resistance mutations in NS5B.

HCV Assay	Sofosbuvir EC_{50}(μM)	ASC21 EC_{50}(μM)
HCV GT1b S282T	**0.74(n=18)**	**0.30(n=9)**
FC [(1)]	**9.1**	**6.8**
HCV GT1b L159F/L320F	**0.20(n=5)**	**0.069(n=5)**
FC	**2.5**	**1.6**
HCV GT1a* S282T	**1.05(n=6)**	**0.30(n=6)**
FC	**8.1**	**6.4**
HCV GT3a* S282T	**0.52(n=6)**	**0.122(n=6)**
FC	**2.5**	**2.7**
HCV GT3a* L159F/L320F	**0.19(n=1)**	**0.062(n=1)**
FC	**1.5**	**1.3**

* "FC" stands for fold change, which is a measure for efficacy, and a lower value indicates higher efficacy.

n indicates the number of repeated tests.

Source: Preclinical characterisation of MIV-802, a novel uridine nucleotide HCV NS5B polymerase inhibitor, for treatment of hepatitis C virus infection, The 50th International Liver Congress, April 2015

Conclusion. Given the potent, pan-genotypic anti-viral activity relative to sofosbuvir and high anti-viral activity relative to sofosbuvir against HCV virus harbouring resistance mutations associated with sofosbuvir, we believe ASC21 has the potential to be the best-in-class NS5B nucleotide polymerase inhibitor.

ASC09: HIV Protease Inhibitor

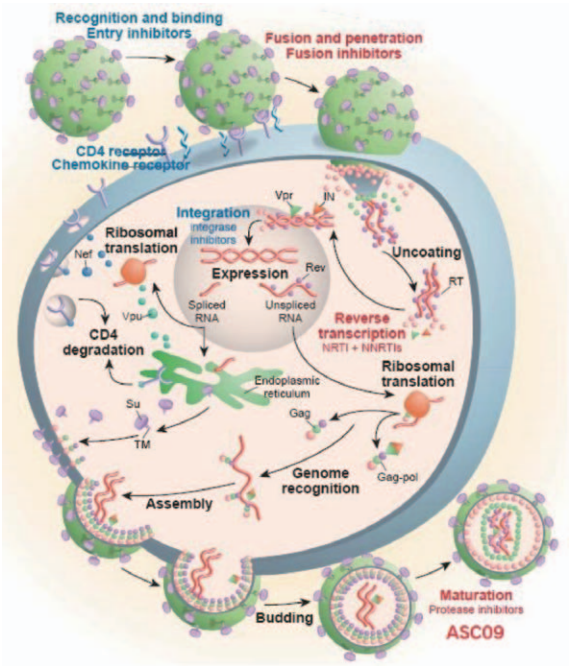
ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. ASC09 has an unprecedented genetic barrier to resistance and has completed phase I and phase IIa clinical trials, which have shown that ASC09 has potent anti-viral activity, and is safe and well-tolerated. After two weeks of treatment of mono-therapy, ASC09 demonstrated up to a 1.79 log viral load decrease (62-fold reduction of viral load in blood samples of patients). ASC09 has unprecedented genetic barrier to resistance. Studies have shown that ASC09 requires more than seven mutations before HIV develops resistance to ASC09, indicating that ASC09 has a high genetic barrier to resistance compared to other approved protease inhibitors. The high genetic barrier to resistance makes ASC09 a promising candidate for HIV-therapy for both treatment-naïve and treatment-experienced patients. Because we have not filed IND for ASC09 in China, to date, we have not had any scheduled meetings with the

CFDA. We have made inquiries with the CFDA regarding the development plan for ASC09 through CFDA's consultation hotline, and based on the responses we received, we foresee no material issues in the development plan for ASC09. See "— Next Steps" for details of our development plan for ASC09.

We obtained sole and exclusive rights from Janssen, a Johnson & Johnson subsidiary, to develop, manufacture and commercialize ASC09 in the PRC and Macau. See "— Exclusive Licensing Arrangements — Exclusive Licensing of ASC09 HIV Protease Inhibitor from Johnson & Johnson" for more information.

Mechanism of Action

The HIV protease is an essential element for viral maturation. The HIV-1 protease is involved in producing mature active proteins from polyprotein precursors encoded by the HIV-1 virus genome that go on to infect other cells. ASC09 is an inhibitor that binds to the HIV-1 protease, which blocks the active site of the HIV-1 protease enzyme activity and prevents the HIV-1 protease from carrying out its role in viral infection. The following diagram illustrates the mechanism of action of ASC09.



Current Therapies and Limitations

Currently, there is no cure for HIV/AIDS. Current HIV treatments need to be taken for a lifetime. The currently available primary HIV therapy in China is a combination therapy of nucleos(t)ide reverse transcriptase inhibitors ("**NRTIs**") and non-nucleos(t)ide reverse transcriptase inhibitors ("**NNRTIs**"). Although such combination therapy is available in China, patients taking such therapy, such as Lopinavir, may develop drug resistance. As a result, HIV patients generally will turn to a combination therapy of protease inhibitors and NRTIs.

As of the Latest Practicable Date, only one HIV protease inhibitor, Lopinavir, was approved and marketed in China. Limitations of this drug primarily include:

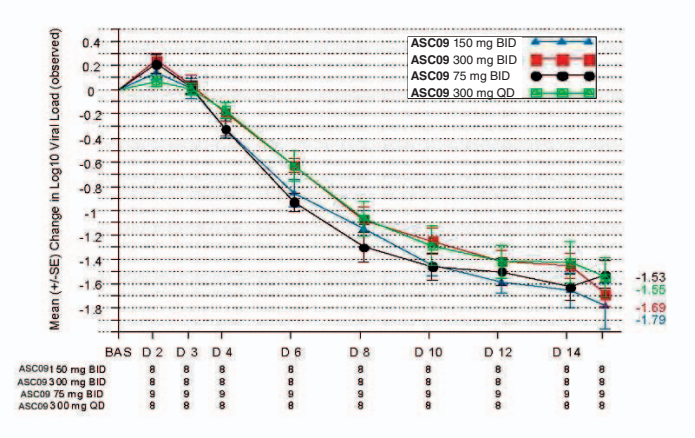
- *Resistance*. During life-long treatments, many HIV patients have or may develop viral resistance mutations that lower the effectiveness of the treatment. Resistance to protease inhibitor drugs remains a critical factor in the failure of antiretroviral therapy. Patients in China failing approved protease inhibitors due to the emergence of resistant viruses face limited therapeutic options.

- *Tolerability*. Because current HIV treatments are life-long treatments, prolonged use of protease inhibitors has side effects, including dyslipidemia, insulin-resistance, lipodystrophy and cardiovascular and cerebrovascular diseases. Thus, there is a strong need for safer HIV treatments.

Advantages of ASC09

We believe that, based on clinical trials and pre-clinical studies, ASC09 has the potential to be a best-in-class HIV protease inhibitor and address the limitations of current HIV therapy in the following aspects:

- *Anti-viral activity*. A phase IIa clinical trial has shown that ASC09 displayed similar high anti-viral potency for patients with three or more protease inhibitor resistance-associated mutations as well as for patients with less than three protease inhibitor resistance-associated mutations at baseline. After two weeks of mono-therapy, ASC09 demonstrated up to a 1.79 log viral load decrease (62-fold reduction of viral load in blood samples of patients).



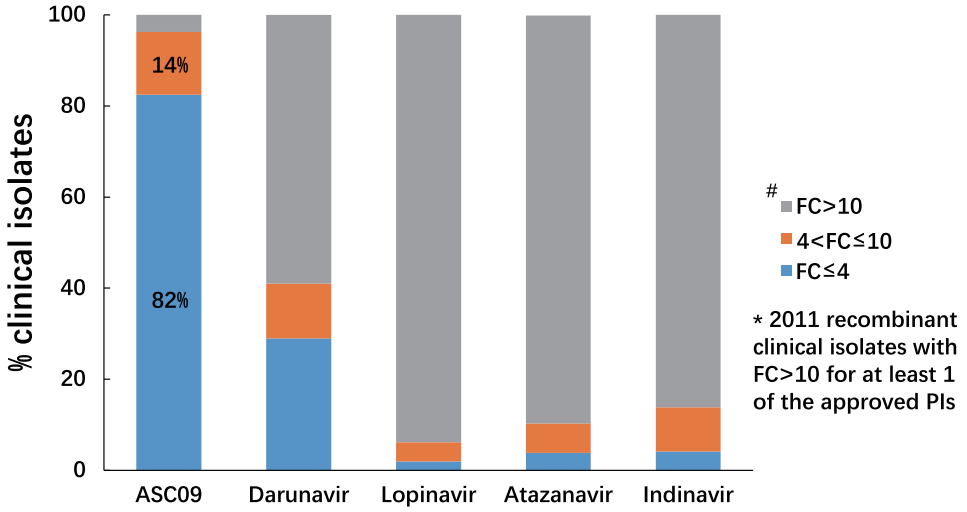
-1.79: mean log change from baseline in HIV-1 RNA
(log10 copies/ml: logarithm to base 10 of HIV-1 RNA)

Source: Phase IIa clinical trial result summary

- *Safety and tolerability*. The phase IIa clinical trial has indicated that short-term treatment with ASC09 boosted by ritonavir was generally safe and well tolerated. We believe ASC09 has strong potential to be a more tolerable alternative to current therapies for HIV.

- *Unprecedented genetic barrier to resistance*. During the lifetime treatment, almost all patients will develop resistance to protease inhibitors. Therefore, HIV protease inhibitors with high genetic barrier to resistance have a significant therapeutic advantage over those protease inhibitors with low genetic barrier to resistance. Studies have shown that ASC09 requires more than seven mutations before HIV develop resistance to ASC09, indicating ASC09 has high genetic barrier to resistance compared to other approved protease inhibitors. The high genetic barrier to resistance makes ASC09 a promising candidate for HIV-therapy for both treatment-naïve and treatment-experienced patients. ASC09 is more active than any of the approved protease inhibitors against multi-protease inhibitors resistant clinical isolates.

ASC09 demonstrated the highest level of genetic barrier to resistance compared to other protease inhibitors



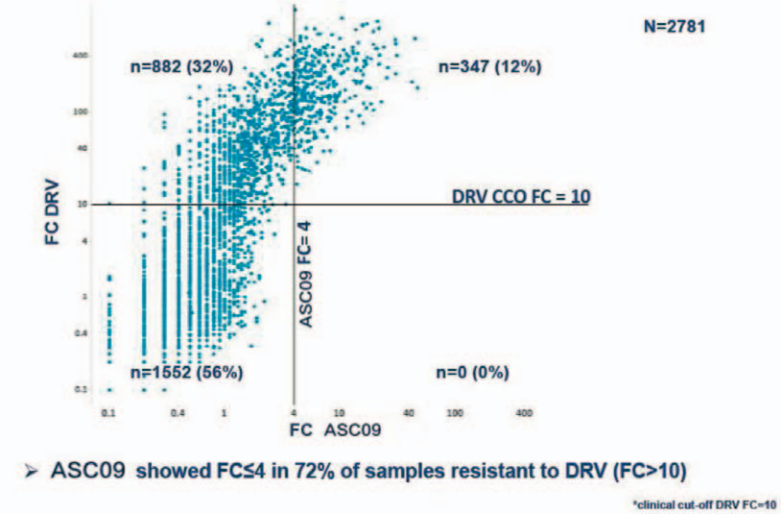
➢ASC09 showed FC≤4 in 82% of isolates were susceptible to ASC09

➢ Isolates with ASC09 FC>10 contained ≥11 PI RAMs

 # FC: Fold-Change is a measure for efficacy, and a lower value indicates higher efficacy.

Source: TMC310911, a novel human immunodeficiency virus type 1 protease inhibitor with an improved resistance coverage and a higher genetic barrier compared to currently approved protease inhibitors, The International Workshop on HIV and Hepatitis Drug Resistance and Curative Strategies, June 2011

- *High anti-viral activity against DRV-resistant viral strains.* Darunavir (DRV) is considered to be a best-in-class protease inhibitor among approved protease inhibitors globally. Virological studies suggest that ASC09 is a promising candidate for 72% clinical isolates resistant to DRV, indicating ASC09 has the potential to be the best-in-class protease inhibitor.



Source: TMC310911, a novel human immunodeficiency virus type 1 protease inhibitor with an improved resistance coverage and a higher genetic barrier compared to currently approved protease inhibitors, The International Workshop on HIV and Hepatitis Drug Resistance and Curative Strategies, June 2011

Clinical cut-off for DRV is FC=10. Cut-off for ASC09 is FC=4. Based on clinical cut-off of DRV, a total of 1,229 clinical isolates are resistant to DRV. Based on the cut-off of ASC09, 882 of these 1229 clinical isolates are susceptible to ASC09.

Summary of Phase I and IIa trials

The following trials have been completed: (i) a single dose phase I trial with 26 healthy subjects (First-in-Human trial ASC09-C101); (ii) a repeated dose Phase I trial with 50 healthy subjects (ASC09-C102); and (iii) a Proof-of-Concept (PoC) phase IIa trial with 33 antiretroviral (ARV) treatment-naïve HIV-1 infected subjects. The following table sets forth an overview of the trial design.

Trial Number	Trial design/Population	N	Treatment	Formulation
Phase I Trials				
ASC09-C101	Double-blind, randomized, placebo-controlled trial to examine increasing single oral dosed of ASC09, and the effects of food and ritonavir boosting/Healthy subjects	26	Part I (= Panels 1 + 2; n = 18): a single oral dose of ASC09 75, 150, 300, 600, 1200, or 2000 mg or placebo under fed conditions, followed by a single oral dose of ASC09 1200 mg or placebo under fasted conditions. (Panel 1 includes ASC09 75, 300, and 1200 mg and placebo; Panel 2 includes ASC09 150, 600, and 2000 mg and placebo). Part II (= Panel 3; n = 8): a single oral dose of ASC09 300 mg alone, ASC09 300 mg with ritonavir 100 mg, or ASC09 600 mg with ritonavir 100 mg.	Oral solution (25mg/mL) of ASC09 Matching placebo
ASC09-C102	Double-blind, randomized, placebo-controlled trial to examine escalating multiple dose regimens of ASC09, with or without ritonavir boosting. /Healthy subjects	50	Panel 1 (n = 10): ASC09 300 mg or placebo b.i.d. + ritonavir 100 mg b.i.d. on Days 1-7. Panel 2 (n = 10): ASC09 600 mg or placebo q.d. + ritonavir 100 mg b.i.d. on Days 1-7. Panel 3 (n = 10): ASC09 150 mg or placebo b.i.d. + ritonavir 100 mg b.i.d. on Days 1-7. Panel 4 (n = 10): ASC09 900 mg or placebo b.i.d. without ritonavir on Days 1-7. Panel 5 (n = 10): ASC09 300 mg or placebo b.i.d. + 50 mg ritonavir b.i.d. on Days 1-7.	Oral solution (25mg/mL) of ASC09 Matching placebo
Phase IIa Trial				
ASC09-C201	Phase IIa, open-label, randomized trial in treatment-naïve HIV-1 infected subjects to determine the anti-viral activity of 14 days of monotherapy with different dose regimens of ASC09 co-administered with ritonavir./ Treatment-naïve HIV-1 infected subjects	32	Panel 1 (n = 8): ASC09 75 mg b.i.d. + ritonavir 100 mg b.i.d. on Days 1-14. Panel 2 (n = 8): ASC09 150 mg b.i.d. + ritonavir 100 mg b.i.d. on Days 1-14. Panel 3 (n = 8): ASC09 300 mg b.i.d. + ritonavir 100 mg b.i.d. on Days 1-14. Panel 4 (n = 8): ASC09 300 mg b.i.d. + ritonavir 100 mg q.d. on Days 1-14.	Oral solution (25 mg/mL) of ASC09

b.i.d: twice-daily

q.d.: once-daily

Source: Investigator's brochure for ASC09

Efficacy. Phase IIa clinical trial, ASC09-C201, was a phase IIa, open-label, randomized trial in treatment-naïve HIV-1-infected subjects, designed to determine the anti-viral activity of 14 days of mono-therapy with three different twice-daily dose regimens (75 mg, 150 mg, 300 mg) and one once-daily dose regimen (300 mg) of ASC09 co-administered with low-dose ritonavir.

A phase IIa clinical trial has shown that ASC09 displayed similar high anti-viral potency for patients with three or more protease inhibitor resistance-associated mutations as well as for patients with less than three protease inhibitor resistance-associated mutations at baseline.

In all treatment groups, a mean decrease in log10 HIV-1 RNA versus baseline was observed from day 4 of treatment onwards. On day 8, mean change from baseline in HIV-1 RNA (log10 copies/ml) was -1.30 in the 75mg twice-daily group, -1.14 in the 150 mg twice-daily group, -1.07 in the 300 mg twice-daily group, and -1.06 in the 300 mg once-daily group. On day 15, mean changes from baseline (log10 copies/ml) were -1.53 in the 75 mg twice-daily group, -1.79 in the 150 mg twice-daily group, -1.69 in the 300 mg twice-daily group, and -1.55 in the 300 mg once-daily group.

Safety and Tolerability. Safety data from phase I and phase IIa trials show that ASC09, when administered with or without low-dose ritonavir, was generally safe and well-tolerated at all doses tested. In terms of laboratory parameters, mild increases during treatment with ASC09 in treatment-naïve HIV-1 infected subjects were observed in creatinine, potassium, total cholesterol and triglycerides, but no relationship with the dose or the exposure of ASC09 was demonstrated.

	Treatment-related, n (%)				
	ASC09/r, 75/100mg b.i.d N=9	ASC09/r, 150/100mg b.i.d N=8	ASC09/r, 300/100mg b.i.d N=8	ASC09/r, 300/100mg q.d N=8	Total N=33
Subjects reporting SAE	0	0	0	0	0
AEs leading drug discontinuation	0	0	0	0	0
Subjects reporting grade ≥3 AE(s)	0	1 (12.5%)	0	0	1 (3.0%)
Death	0	0	0	0	0

Source: Phase IIa clinical trial result summary

Competition

ASC09 is a protease inhibitor and will primarily compete against other protease inhibitors on the market. Lopinavir is currently the only marketed protease inhibitor in China. Lopinavir has a relatively low genetic barrier to resistance, and therefore has lower efficacy for protease-inhibitor resistant patients. As of the Latest Practicable Date, there were no HIV protease inhibitor candidates at phase III clinical trial or beyond in China.

Next Steps

We plan to initiate the phase IIb clinical trial in 2020. Because the IND approval was obtained and the phase I and IIa clinical trials for ASC09 were conducted overseas, to develop ASC09 in China we will file IND and seek umbrella IND approval. Upon obtaining IND approval, we would only need to conduct bridging clinical studies prior to phase IIb trial in 2020 because there are overseas clinical data for ASC09. The phase I and phase IIa clinical trials conducted overseas help in selecting doses for phase IIb and in terms of the CFDA's review of safety aspects in our IND application. We also plan to conduct toxicology studies, pharmacology studies, large-scale API synthesis and optimization and large-scale formulation development. If our phase IIb clinical trial is successful, we plan to request that the CFDA consider the phase IIb clinical trial as a pivotal trial and submit NDA in 2021 for ASC09. The phase I and phase IIa clinical trials conducted overseas will be used as part of our NDA for ASC09 in China. The CFDA has not raised any objections or material concerns with respect to ASC09. See "Regulations — Regulations Related to Pharmaceutical Product Development and Approval" and "Regulations — Regulations Related to the Clinical Trials and Registration of Drugs" for more information on the regulatory approval process of our drug candidates.

The development of our drug candidates and drug development timetable are subject to change and uncertainties. We cannot guarantee that we will be able to ultimately develop and market ASC09 successfully. For details, see "Risk Factors — Risks Relating to Development, Clinical Trials and Regulatory Approval of Our Drug Candidates."

ASC06: Liver Cancer Treatment

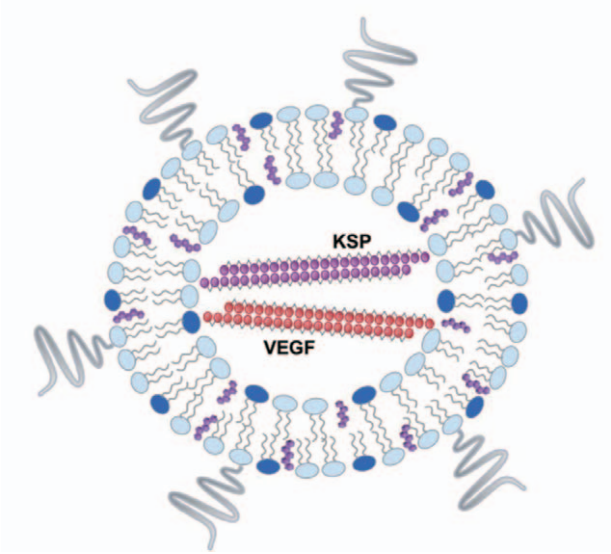
RNA interference is a naturally occurring cellular mechanism of regulating gene expression and is mediated by siRNAs. We aim to develop ASC06 as the first systematically delivered therapeutic drug to treat liver cancer by using RNA interference technology, which is designed to silence two genes critical for the growth and development of cancer cells: VEGF and KSP. ASC06 has completed phase I and phase I extension clinical trials of 41 patients and seven patients, respectively, which has shown that 50% patients achieved stable disease and one patient achieved a complete response. ASC06 is safe and well-tolerated by patients. Because we have not filed IND for ASC06 in China, to date, we have not had any scheduled meetings with the CFDA. We have made inquiries with the CFDA regarding the development plan for ASC06 through CFDA's consultation hotline, and based on the responses we received, we foresee no material issues in the development plan for ASC06. See "— Next Steps" for details of our development plan for ASC06.

We obtained sole and exclusive rights from Alnylam to develop and commercialize ASC06 in Greater China. See "— Exclusive Licensing Arrangements — Exclusive Licensing of Liver Cancer Treatment ASC06 from Alnylam" for more information.

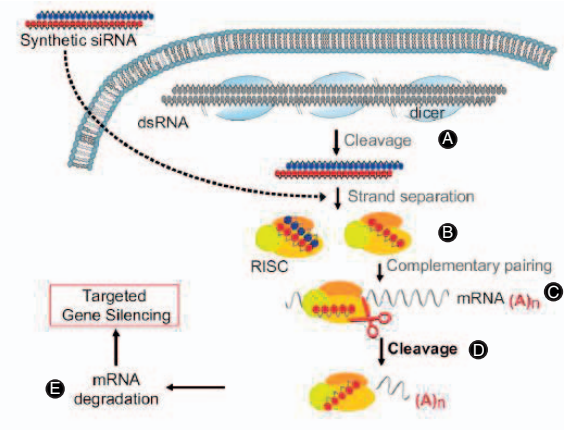
Mechanism of Action

VEGF and KSP are two key proteins in the growth of liver cancer cells. ASC06 delivers siRNAs targeting VEGF and KSP to the liver. After ASC06 enters a liver cell, siRNAs are released to scan and bind to the target mRNA for VEGF and KSP. Once bound to the target mRNA, the siRNAs cleaves the target mRNA, which will be recognized as abnormal by the cell. The target mRNA will degrade and no longer be translated into amino acids and proteins, effectively silencing the gene for VEGF and KSP.

Schematic Diagram of ASC06



Mechanism of Action of RNAi



* Intracellular double stranded RNA is processed by the "dicer" complex pathway (A) to produce siRNAs which become integrated into a multi-subunit protein complex, the RNAi induced silencing complex (RISC) (B), which guides the siRNAs to the target mRNA sequence (C). The siRNA duplex unwinds, and the antisense strand remains bound to RISC and directs degradation of the complementary mRNA sequence (D), resulting in target protein suppression (E).

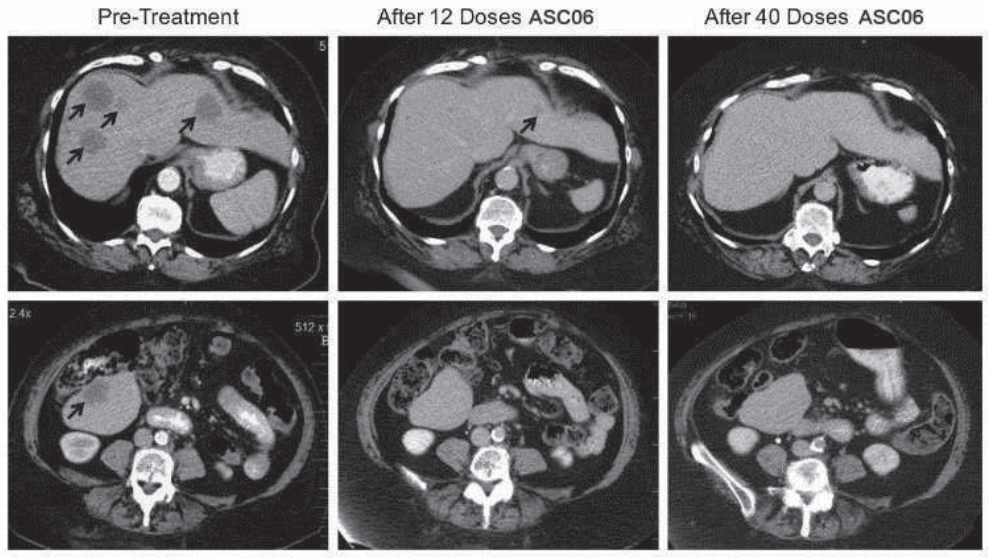
Current Therapies and Limitations

There are several treatment options for liver cancer. Current primary therapies for liver cancer include systematic chemotherapy and targeted small molecule drugs. These therapies show relatively low clinical efficacy and significant adverse side effects. As such, none of these options is considered a cure. In particular, there are no effective systematic therapies to treat late stage liver cancer.

Advantages of ASC06

We believe that, based on clinical trials and pre-clinical studies, ASC06 has the potential to address the limitations of current liver cancer therapies in the following respects:

- *Efficacy indication*. Clinical trials for ASC06 have shown preliminary activity in patients with advanced solid tumors with liver involvement. One patient with metastatic liver cancer achieved a complete response. A total of 12 (50%) of 24 patients who received ≥0.7 mg/kg dose achieved stable disease at the end of the two month assessment compared with 1 (8%) of 12 patients who received ≤0.4 mg/kg dose. We believe ASC06 has strong potential to be a first-in-class therapy for liver cancer.



* Arrows indicated tumor mass.

Source: Phase I extension clinical trial result summary

- *Favorable safety and tolerability profile*. The majority of side effects experienced by patients in the phase I clinical trial were grade 1 or 2 in severity. Moreover, seven patients were treated for 11.5 months on average (including phase I), with no new toxicities reported, indicating that ASC06 has a favorable safety profile that permits chronic dosing. We believe the favorable safety and tolerability profile will allow more patients to receive long-term treatment.

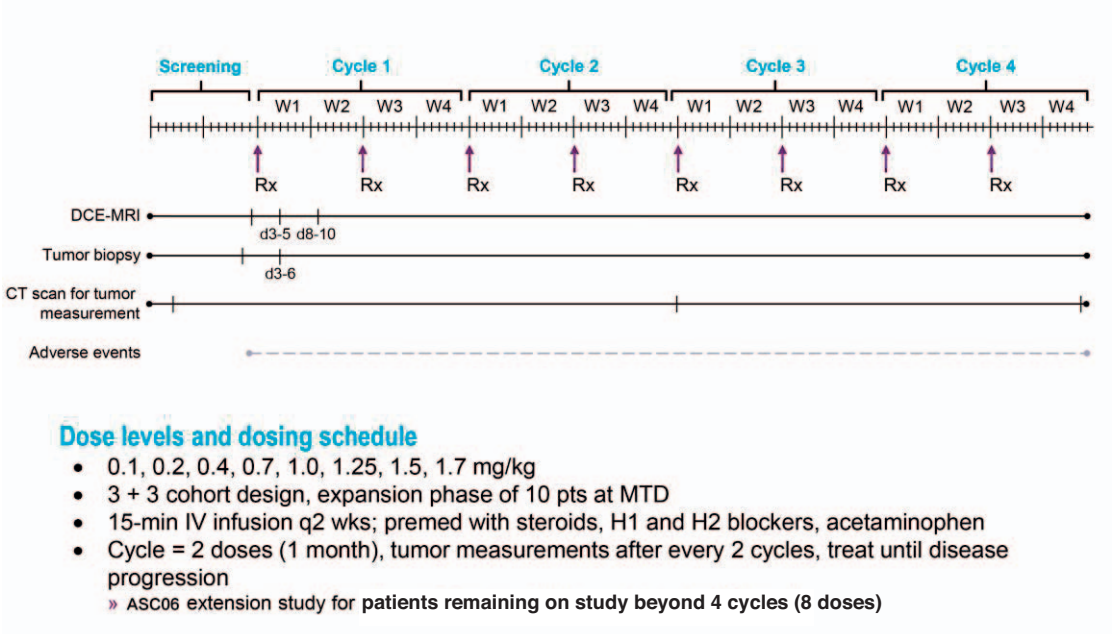
Summary of Clinical Results

As of the Latest Practicable Date, our in-license partner, Alnylam, has completed phase I and phase I extension clinical trials on ASC06.

Phase I Clinical Trial

Study Design. The phase I clinical trial was a multi-center, open label, dose escalation study to evaluate the safety and tolerability of ASC06, including determination of dose-limiting toxicities and maximum tolerated dose. The clinical trial also assessed the pharmacodynamics effect of ASC06 through analysis of VEGF and KSP mRNA levels and other markers of anti-tumor effects in tumor tissue core biopsies. Other secondary and exploratory objectives included an assessment of tumor response using RECIST, a set of published guidelines that define when a cancer patient's disease improves, stabilizes or progresses during treatment, quantitation of change in tumor blood flow and vascular permeability as measured by DCE-MRI, and, analysis of pharmacodynamic effects of ASC06 on tumors as measured in patients electing to proceed with voluntary pre- and post-treatment biopsies. The ASC06 phase I extension trial was designed to enable continued dosing with ASC06 in patients who had achieved stable disease or better after completing four months of treatment on the phase I trial. See "— Phase I Extension Trial" for more information.

The trial population was 41 adult patients with advanced solid tumors with liver involvement who have failed to respond to or have progressed after standard treatment. Patients were enrolled into sequential cohorts of increasing doses of ASC06 based on evaluations of safety and dose-limiting toxicity. Individual patients were dosed every two weeks, receiving eight doses in total. Planned dose levels of ASC06 were 0.1, 0.2, 0.4, 0.7, 1.0, 1.25, 1.5 and 1.7 mg/kg. ASC06 was administered as a 15-minute IV infusion and prior to the dose, patients received 8 mg dexamethasone orally the evening before dosing, 20 mg dexamethasone, 650 mg acetaminophen, 50 mg diphenhydramine and an H2-blocker 30 minutes prior to dosing. The study design for the clinical trial is set out below.



Source: Phase I clinical trial result summary

Efficacy. ASC06 demonstrated evidence of anti-tumor activity in patients of advanced malignancies with liver metastases. Detailed efficacy conclusions are set out below.

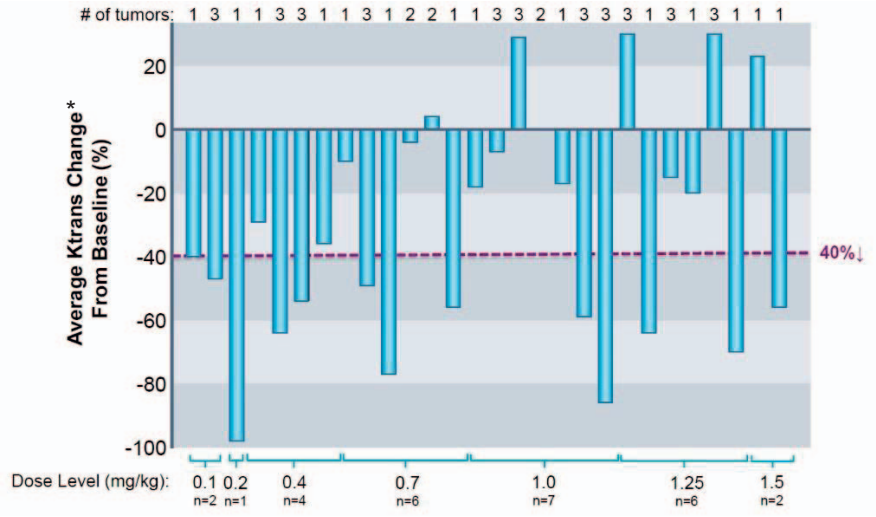
- *Overall efficacy*. Of the 41 patients, a total of 12 (50%) of 24 patients who received ≥0.7 mg/kg achieved stable disease at the end of the two month assessment compared with 1 (8%) of 12 patients who received ≤0.4 mg/kg. Six (26%) of 23 patients with assessable lesions had a reduction in the sum of the longest diameter of the target lesions. All were receiving ≥0.7 mg/kg ASC06.

Dose Level (mg/kg)	N (evaluable for response)	Avg # of Doses Received (range)	# Pts with Stable Disease or Better for ≥ 2 mos	# Pts Who Went on to Extension Study (>8 doses) to Date
0.10	3	3 (2-4)	0	0
0.20	3	4 (4-4)	0	0
0.40	7*	4.6 (2-11)	1	1
0.70	5	9.6 (3-23)	3 (includes 1 PR with ~70% tumor reduction)	2
1.00	11†	4.8 (2-8)	7	1
1.25	7	2.4 (1-6)	2	0
1.50	1	4	0	0

PR: partial response
*Includes 1 patient whose first dose was given at 0.7 mg/kg
†Includes 2 patients whose first dose was given at 1.25 mg/kg

Source: Phase I clinical trial result summary

- *Anti-vascular endothelial growth factor*. The phase I clinical trial evaluated 28 patients, of which 13 patients showed reduction in the volume transfer constant between blood plasma and extra-vascular space, demonstrating our proposed mechanism of action of VEGF.



* Ktrans Change: reflect altered flow or vascular permeability

Source: Phase I clinical trial result summary

- *Anti-kinesin spindle protein*. A reduction in the size of the spleen was observed in 24 of the 28 patients with measurements obtained both before and after receiving study drug — suggestive of an anti-KSP effect.

- *Tumor reduction*. One patient receiving 0.7 mg/kg dose had an unconfirmed partial response. This patient had endometrial cancer and experienced an approximately 51% reduction in tumor size at the end of the treatment.

Safety. All 41 patients experienced treatment-emergent adverse events ("**TEAE**") in the course of treatment, the majority of which were grade 1 or 2 in severity. The most common TEAEs that were considered to be related to the study drug were fatigue, nausea, pyrexia, vomiting, asthenia and hypersensitivity. 11 patients experienced a serious adverse event. Three of these serious adverse events occurring in two patients were considered related to ASC06. One patient experienced liver failure and hepatic encephalopathy, leading to death. The other patient had leukocytosis. Two patients died during the study. One was due to liver failure, which was considered possibly related to the study drug, and the treatment was adjusted accordingly. The other death was attributed to disease progression.

A number of patients experienced dose-limiting toxicity during treatment, particularly at dose levels 1.25 and 1.5 mg/kg, and therefore the planned maximum tolerated dose of 1.7 mg/kg was not reached. The recommended phase II dose was determined to be 1.0 mg/kg IV once every two weeks.

Conclusion. ASC06 is safe and well-tolerated. At ≥0.7 mg/kg dose, 50% (12/24) patients achieved stable disease. Data suggested 1.0 mg/kg dose is likely to be the appropriate dose for the phase II clinical trial.

Phase I Extension Trial

Study Design. Seven patients from the phase I clinical trial enrolled in the extension trial. The purpose of the extension trial was to collect long-term safety data on ASC06 and assess tumor response. At the time of enrollment, one patient had an unconfirmed partial response and six had stable disease. Tumor types included adenocarcinoma of the tongue, angiosarcoma, endometrial cancer, renal cell carcinoma and pancreatic neuroendocrine tumor.

Efficacy. The extension trial indicated that ASC06 has preliminary activity against endometrial cancer, renal cell carcinoma and pancreatic neuroendocrine tumor with liver metastases. Disease control lasted over six months in four of the seven patients on the extension trial. Moreover, the patient with unconfirmed partial response went on to achieve a complete response.

Safety. Extension trial indicated that ASC06 has a favorable safety profile that permits chronic dosing. The patients were treated for 10.5 months on average (including phase I), with no new toxicities reported. Three of these patients were treated for approximately one year or more at 0.7 to 1.0 mg/kg, including two patients who continued on the extension trial after 23 and 14.5 months of continuous dosing.

Conclusion. ASC06 is safe and well-tolerated. One patient with advanced endometrial cancer with liver metastases achieved a complete response. Phase 1 and extension trials suggests 1.0 mg/kg dose was likely to be the appropriate dose for the phase II clinical trial.

Competition

Currently, there were two major targeted small molecule therapies for liver cancer, namely sorafenib and regorafenib, in China.

Sorafenib is an oral, multi-kinase inhibitor. Sorafenib is the current best-in-class protease inhibitor. Sorafenib inhibits cell surface tyrosine kinase receptors (such as VEGF receptors) and downstream intracellular serine/threonine kinases, which are involved in tumor cell proliferation and tumor angiogenesis. Clinical trials indicated that sorafenib was moderately effective. Median survival and the time to radiologic progression were nearly three months longer for patients treated with sorafenib than those with placebos.

Regorafenib is also a multi-kinase inhibitor that blocks certain proteins on normal and cancer cells. In clinical trials, regorafenib displayed an overall response rate (including partial and complete response) (ORR) of 11%, which was higher than the ORR of 4% for patients taking placebo. As a result of the poor efficacy, adverse side effects and high cost of the current primary therapies in China, there are massive unmet needs from liver cancer patients in China. As of the Latest Practicable Date, there were no breakthrough therapeutic options for liver cancer patients. In particular, there were no other siRNA therapy candidates for liver cancer in phase III clinical trial or beyond in China as of the same date.

Next Steps

We plan to initiate phase II clinical trial of ASC06 in China in 2020. Because the IND approval was obtained and the phase I and the phase I extension trials for ASC06 were conducted overseas, to develop ASC06 in China we will file IND and seek umbrella IND approval. Upon obtaining IND approval, we would only need to conduct bridging clinical studies prior to phase II clinical trial in 2020 because there are overseas clinical data for ASC06. The phase I and phase I extension trials conducted overseas help in selecting doses for phase II clinical trial and in terms of the CFDA's review of safety aspects in our IND application. We also plan to conduct toxicology studies, pharmacology studies, large-scale API synthesis and optimization and large-scale formulation development. If our phase II clinical trial is successful, we plan to discuss with the CFDA and submit NDA in 2021 for ASC06 for conditional approval with phase II data in China, as there are no effective treatments in China for liver cancer. The phase I and phase I extension trials conducted overseas will be used as part of our NDA for ASC06 in China. The CFDA has not raised any objections or material concerns with respect to ASC06. See "Regulations — Regulations Related to Pharmaceutical Product Development and Approval" and "Regulations — Regulations Related to the Clinical Trials and Registration of Drugs" for more information on the regulatory approval process of our drug candidates.

The development of our drug candidates and drug development timetable are subject to change and uncertainties. We cannot guarantee that we will be able to ultimately develop and market ASC06 successfully. For details, see "Risk Factors — Risks Relating to Development, Clinical Trials and Regulatory Approval of Our Drug Candidates."

Pre-clinical Programs

We also have two in-house programs at discovery stage. One is to develop novel therapies to achieve high functional cures for HBV. The other is to develop breakthrough therapies for NASH against novel targets.

EXCLUSIVE LICENSING ARRANGEMENTS

The following table set forth key in-licensing arrangement of our Core Products:

Product/ Drug candidate	Licensed form	Patent terms	Duration of the agreement	Market commercial rights
Ganovo®	Roche	Our patents related to Ganovo® in China will expire between 2024 and 2029. The patent rights licensed to us from Roche under the licensing agreement will expire between 2024 and 2031 in the PRC	The Roche Licensing Agreement will expire when no royalty or other payment obligations are or will become due	Develop, manufacture and commercialization of danoprevir in Greater China
Ravidasvir	Presidio	Our patent related to ravidasvir in China will expire in 2029	The Presidio Licensing Agreement will expire when no royalty or other payment obligations are or will become due	Develop, manufacture and commercialize ravidasvir in Greater China
ASC09	Janssen	The patent licensed to us from Janssen under the licensing agreement will expire in 2027 in the PRC	The Janssen Licensing Agreement will expire upon the expiration of the patents licensed under this agreement	Develop, manufacture and commercialize ASC09 in the PRC and Macau

Product/ Drug candidate	Licensed form	Patent terms	Duration of the agreement	Market commercial rights
ASC06	Alnylam	The patents licensed to us from Alnylam under the licensing agreement will expire between 2021 and 2030 in the PRC, and the patent application in the PRC, which was applied for in 2010, will, upon approval, expire 20 years from the date of application	The Alnylam Licensing Agreement will expire upon of the expiration of the last royalty term	Develop and commercialize ASC06 in Greater China

Exclusive Licensing of Danoprevir from Roche

In April 2013, we entered into an exclusive licensing agreement with Roche, which was amended in October 2014 and in February 2018 for danoprevir, an HCV NS3/4A inhibitor (together, the "**Roche Licensing Agreement**"). Under the currently effective Roche Licensing Agreement, Roche has granted to us sole and exclusive rights to certain patents and know-how of Roche to develop, manufacture and commercialize danoprevir in Greater China. Pursuant to this agreement, Roche is responsible for specified pre-clinical studies of danoprevir and we are responsible for pursuing all clinical and non-clinical studies, as well as chemistry, manufacturing and controls of danoprevir in Greater China. We are responsible for using commercially reasonable efforts to pursue development of danoprevir under the Roche Licensing Agreement.

Under the Roche Licensing Agreement, we are entitled to receive milestone payments of up to US$31.0 million from Roche. As of the Latest Practicable Date, we have received US$26.5 million and have achieved the milestones to receive the remaining milestone payments. These milestone payments were determined through commercial negotiations between Roche and us, considering Roche's recognition of our research and development capability to accelerate the clinical development and commercialization of danoprevir and the royalty fees we have agreed to pay to Roche, both of which represent significant commercial value to Roche. These milestone payments are paid upon achieving major milestones in the development of danoprevir, such as IND filing and approval, NDA filing and NDA approval. Under the Roche Licensing Agreement, there are no conditions attached to the payments already paid to us that would require us to return such payments to Roche. We have agreed to pay Roche tiered royalties in the mid-single digits based on net sales of danoprevir in any and all regimens in Greater China. We have agreed to pay royalties until the later of (i) 15 years from the date of the first commercial sale in Greater China, or (ii) the expiration of the last to expire patent right of Roche or us in the region that has a valid claim covering the use, import and sale of danoprevir. After the royalty term expires, the license granted to us under the Roche Licensing Agreement will be fully paid up and royalty-free.

The Roche Licensing Agreement will expire when no royalty or other payment obligations are or will become due. We may voluntarily terminate the Roche Licensing Agreement by giving (i) 90 days written notice prior to the first commercial sale of danoprevir, (ii) 360 days prior written notice after the first commercial sale of danoprevir, or (iii) 30 days prior written notice if ordered by a final undisputed or undisputable decision of CFDA. In the event that we voluntarily terminate the Roche Licensing Agreement, all rights and licenses granted by Roche to us under this agreement (including the patents transferred to us by Roche) will terminate and revert to Roche. Roche may only terminate this agreement in the event that we materially breach the agreement and fail to cure our breach within the cure period, in which case all rights and licenses granted by Roche to us under this agreement will terminate and revert to Roche. We closely monitor the status of our obligations under this agreement and endeavour to fulfill such obligations as they become due and maintain good working relations with our licensing partner. We believe that the risk of termination of this agreement due to our material breach is relatively low, considering that it would generally not be in the interest of either party to terminate the licensing arrangement and that we have the opportunity to cure the breach.

Roche has granted to us sole and exclusive licenses for its patent rights related to the development, manufacture and commercialization of danoprevir in Greater China. We and Roche each owns any inventions that each party makes, conceives or reduces to practice in connection with the agreement. If Roche decides not to file and maintain a patent or patent application that claims an invention conceived or reduced to practice under this agreement, we may request for Roche to assign such patent in such region to us, and we may handle the patent from then on.

Exclusive Licensing of Ravidasvir from Presidio

We entered into an exclusive licensing agreement with Presidio in September 2014 for PPI-668 (ravidasvir), an HCV NS5A inhibitor (the "**Presidio Licensing Agreement**"). The agreement provides us with sole and exclusive rights to develop, manufacture and commercialize ravidasvir in Greater China. Pursuant to this agreement, we are responsible for conducting all non-clinical, clinical, chemistry, manufacturing and controls development and other studies on ravidasvir that are required in order to obtain or maintain regulatory approvals for ravidasvir in Greater China. We are required to use commercially reasonable efforts to develop ravidasvir and to seek and maintain regulatory approvals to maximize the potential of ravidasvir in Greater China.

Presidio is entitled to receive an upfront and development payment up to US$17.0 million, of which US$9.5 million has been paid by us as of the Latest Practicable Date. These milestone payments were determined through commercial negotiations between Presidio and us, and paid upon achieving major milestones in the development of ravidasvir, such as IND filing, initiation of phase I, II and III clinical trials, NDA filing and NDA approval. We agreed to pay Presidio tiered royalties from mid-single digits to low-teens based on net sales of ravidasvir in Greater China. We agreed to pay royalties for the period commencing from the first commercial sale until the later of (i) ten years from the date of the first commercial sale in the region, or (ii) the expiration of the last to expire patent right of Presidio in the region that has a valid claim covering the use or sale of ravidasvir.

The Presidio Licensing Agreement will expire when no royalty or other payment obligations are or will become due. We may generally voluntarily terminate the Presidio Licensing Agreement with advance notice. Presidio may only terminate this agreement if we materially breach the agreement and fail to cure the breach within the cure period. In the event of any termination of the Presidio Licensing Agreement, all rights and licenses granted by Presidio to us under this agreement (including the patent transferred to us by Presidio) will terminate and revert to Presidio, and all patents transferred by Presidio will also revert to Presidio. We closely monitor the status of our obligations under this agreement and endeavour to fulfill such obligations as they become due and maintain good working relations with our licensing partner. We believe that the risk of termination of this agreement due to our material breach is relatively low, considering that it would generally not be in the interest of either party to terminate the licensing arrangement and that we have the opportunity to cure the breach.

Presidio has granted to us sole and exclusive licenses for its patent rights related to the development, manufacture and commercialization of ravidasvir in Greater China. We and Presidio each owns any inventions that each party makes, conceives or reduces to practice in connection with the agreement, and jointly own any joint collaboration intellectual property. If we reasonably determine that Presidio's handling of any of its inventions in the Greater China is inadequate to protect our commercial interests, Presidio should permit us to handle such patent in the region to the extent we see fit.

Exclusive Licensing of ASC09 HIV Protease Inhibitor from Johnson & Johnson

We entered into an exclusive licensing agreement with Janssen R&D Ireland ("**JRDI**") in July 2013 for TMC310911 (ASC09), a next-generation HIV protease inhibitor (the "**Janssen Licensing Agreement**"). JRDI then assigned the agreement in 2014 to Janssen Science Ireland ("**JSI**"). JRDI and JSI are members of the Janssen pharmaceutical companies of Johnson & Johnson. The agreement provides us with sole and exclusive rights to develop, manufacture and commercialize ASC09 in the PRC and Macau. Pursuant to this agreement, we are responsible for the research and development activities for ASC09 in the PRC and Macau, and for using commercially reasonable efforts to develop and provide patient access to ASC09 in the PRC and Macau.

We have agreed to pay Janssen tiered royalties in the low- to mid-single digits based on net sales of ASC09 in the PRC and Macau. We have agreed to pay royalties for the period commencing from the first commercial sale until the expiration of the last valid claim of the licenced patents covering the manufacture and sale of ASC09.

The Janssen Licensing Agreement will expire upon the expiration of the patents licensed under this agreement. If we reasonably determine that it is not feasible for us to pursue the development, launch or sale of ASC09 in the PRC and Macau due to scientific, technical, regulatory or commercial reasons which renders the exploitation of ASC09 no longer practicable for us, then we may voluntary terminate this agreement upon 90 days prior written notice to Janssen.

Janssen has granted to us a sole and exclusive license for its patent rights in the PRC and Macau for the development, manufacture and commercialization of ASC09. We and Janssen each owns any inventions that we make, conceive or reduce to practice in connection with the agreement. If Janssen elects not to pursue or continue the filing, prosecution or maintenance of a licensed patent in a particular country, then Janssen should notify us promptly in writing to enable us to meet any deadlines to establish or preserve the rights in such licensed patents in such country.

Exclusive Licensing of ASC21 HCV NS5B Nucleotide Polymerase Inhibitor from Medivir

We entered into an exclusive licensing agreement with Medivir in June 2017 for MIV-802 (ASC21), an HCV NS5B nucleotide polymerase inhibitor for hepatitis C (the "**Medivir Licensing Agreement**"). The agreement provides us with sole and exclusive rights under Medivir's composition-of-matter and anti-viral treatment patent estate to develop, manufacture and commercialize ASC21 in Greater China. We are responsible for all research and development activities in connection with obtaining and maintaining all regulatory approvals for ASC21 in Greater China, and for using diligent efforts to pursue commercialization of ASC21 in Greater China under the Medivir Licensing Agreement.

Under the terms of the agreement, Medivir received an upfront payment and is entitled to receive milestones of up to US$8.9 million based on successful development through commercial launch. These milestone payments were determined through commercial negotiations between Medivir and us, and paid upon achieving major milestones in the development of ASC21, such as first dosing of patients in phase I, II and III clinical trials, NDA filing and first commercial sale in the PRC. We have agreed to pay Medivir tiered royalties from the low-single digits to low-teens based on net sales of ASC21 containing products. We have agreed to pay royalties until the later of (i) the expiration of the last to expire patent right of Medivir covering ASC21 in the region, or (ii) the expiration of regulatory exclusivity in the region for ASC21. After the royalty term expires, the license granted to us under the agreement will be fully paid up.

The Medivir Licensing Agreement will expire upon the last to expire royalty term. We may terminate this agreement for any reason, or no reason at all, upon 30 days written notice to Medivir.

Medivir has granted to us sole and exclusive licenses for its patent rights related to the development, manufacture and commercialization of ASC21 in Greater China. We and Medivir each owns any inventions that each party makes, conceives or reduces to practice in connection with the agreement. Inventions discovered, developed, conceived and reduced to practice jointly by Medivir and us will be jointly owned. If Medivir decides to abandon any of these patents, we will have the right to seek or maintain such patent protection in Greater China in Medivir's name.

Exclusive Licensing of ASC06 Liver Cancer Drug Candidate from Alnylam

In July 2013, we assumed an exclusive licensing agreement entered into between Ascletis Pharmaceuticals (Hangzhou) Co., Ltd. and Alnylam in June 2012 for ALN-VSP02 (ASC06) (the "**Alnylam Licensing Agreement**"). The agreement provides us with sole and exclusive rights to

develop and commercialize, as well as the right to manufacture, ASC06 in Greater China. We are responsible for all research and development activities that are reasonably necessary for the regulatory approvals for ASC06 in Greater China, and for using commercially reasonable efforts to commercialize ASC06 under the Alnylam Licensing Agreement.

Alnylam is entitled to receive development milestone payments of up to US$9.75 million. These milestone payments were determined through commercial negotiations between Alnylam and us, and paid upon achieving major milestones in the development of ASC06, such as initiation of phase I, II and III clinical trials, NDA filing and first commercial sale in Greater China. We also agreed to make sales milestone payments when aggregate calendar year net sales of ASC06 in China exceed certain thresholds. In addition, we agreed to pay Alnylam tiered royalties in the low- to mid-teens based on the aggregate net sales of ASC06 in Greater China. We have agreed to pay royalties until the later of (i) ten years from the date of the first commercial sale in the region, or (ii) the expiration of the last to expire patent right of Alnylam covering the manufacture and sale of ASC06 in the region. After the royalty term expires, the license granted to us under the agreement will be non-exclusive, perpetual and fully paid up.

The Alnylam Licensing Agreement will expire upon of the expiration of the last royalty term. We may terminate this agreement upon three month prior written notice to Alnylam for any or no reason, which may only be provided after the second anniversary of the effective date of this agreement. We may also terminate this agreement if CFDA makes a determination with respect to the development or regulatory approval of ASC06 in Greater China that constitutes a material adverse change in the anticipated cost or timeline for the development of ASC06 or the commercial prospects of ASC06 in Greater China.

Alnylam has granted to us sole and exclusive licenses for its patents rights related to the development and commercialization of ASC06 in Greater China. Each party will own any inventions each party first made, discovered solely or acquired in the course of conducting the collaboration. Inventions first made or discovered jointly by Alnylam and us will be jointly owned. If we decide not to seek and maintain patent protection on any intellectual property we develop in the course of the agreement, Alnylam will have the right to seek or maintain such patent protection in our name. Alnylam has the sole discretion to file and maintain all joint collaboration intellectual property in both Alnylam's name and our name. If Alnylam decides not to seek or maintain patent protection on any such joint collaboration intellectual property, we will have the right to seek and maintain such patent protection in both Alnylam and our names.

RESEARCH AND DEVELOPMENT

Overview

We focus on innovative, best-in-class anti-viral drugs with significant market potential. We have a strong track record and high success rate in developing products, with four of the seven assets at or beyond clinical stage, including two at or near commercialization. Such high success rate is, we believe, a reflection of the capabilities and efforts of our research and development team led by world-class scientists and professionals.

Our research and development expertise spans the areas of drug discovery and clinical development of anti-viral drugs. Our research and development team is led by senior scientists from global pharmaceutical companies such as GSK and Roche with extensive experience. Our in-house research and development team led by Dr. Wu, our founder and chief executive officer. Dr. Wu was a vice president at GSK in the United States in charge of HIV drug discovery. Prior to GSK, he was vice president of Ambrilia (formerly Procyon), a publicly-traded company based in Montreal, in charge of pre-clinical and basic research in viral diseases and oncology. Dr. Wu was selected for the prestigious Thousand Talents Program (千人計劃) established by the PRC government.

Our in-house research and development team of 33 members is divided into a discovery team, a clinical development team and a regulatory team. Our discovery team is mainly responsible for lead compound designing, and identifying and selecting molecules that have pharmaceutical activities and market potential. Our compound discovery team is led by Dr. Gudmundsson, our senior consultant. Dr. Gudmundsson has significant experience in large and small pharmaceutical companies in research and discovery at early stage and development focusing on synthesis and formulation for commercial production at later stage. Our clinical development team is mainly responsible for designing and managing our clinical trials. Our clinical development team is led by Ms. Chen Yahong, who has over 15 years of experience in clinical trials, medical affairs and drug registration. Our regulatory team is mainly responsible for CFDA drug approval process and monitoring our research and development projects to ensure their compliance with relevant PRC regulations. Our regulatory team is led by Ms. Zhao Yicheng and Ms. Feng Lulu, both of whom hold Bachelor's degrees in pharmaceutical engineering and have over two years of experience in drug registration and regulatory matters.

For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our research and development costs amounted to RMB62.7 million, RMB114.3 million, RMB10.6 million and RMB22.8 million, respectively. We expect that our research and development costs will increase generally in line with the growth of our business in the future.

Research and Development Process

We have established a research and development committee to manage our product pipeline and review potential projects before we commence research and development. Our research and development committee consists of our chief executive officer, head of our discovery team, head of our clinical development team and head of our regulatory team. For information on the credentials and experience of our research and development committee, see "— Overview." The time required for discovery to commercialization varies by drug candidate and is affected by government policies and research and development results which may be beyond our control. For example, the development of our HCV drugs, such as Ganovo®, took approximately three years, while we estimate that the development of ASC06 liver cancer treatment to take approximately four years to complete. Our research and development activities are primarily conducted by our in-house research and development team. The following diagram sets forth key stages in our research and development process.

- *Discovery*. We conduct in-house laboratory research to design and select lead compounds. Leveraging on years of experience in anti-viral target candidate research and druggability analysis, our compound discovery team monitors products under development by multi-national pharmaceutical companies and emerging overseas biotechnology companies, identifies and selects molecules that have pharmaceutical activity and market potential.

- *Pre-clinical development*. We design pre-clinical studies to study the efficacy, safety and pharmacokinetics, among other things, of drug candidates. Once these studies are completed and are assessed to warrant further study, our regulatory team will apply for IND approval.

- *Chemistry, manufacturing and controls development*. We formulate guidelines related to process development and controls, characterization, specification and stability. All of these guidelines fulfill regulatory guidelines, aiming to demonstrate that the quality of the drug candidate and the manufacturing process meet a sufficiently high standard.

- *Clinical trials*. Simultaneously with chemistry, manufacturing and controls development, our clinical development team designs clinical trials for drug candidates to study the effects of the drug on healthy subjects and patients. Based on the results of these clinical trials, we will consider submitting an NDA to commercialize the drug candidate. Based on our experience, we expect the clinical trial process to take 20 to 40 months and the NDA process for Category 1 drugs to take 12 months.

We also have participated in or undertaken a number of government sponsored pharmaceutical research and development projects, which demonstrate that our research and development capabilities are well recognized in our industry and by the PRC government. For example, our Ganovo® (danoprevir), ravidasvir and ASC09 research and development projects were recognized as National Science and Technology Major Project for "Innovative Drug Development" (國家科技重大專項重大新藥創制專項立項). As a result of these recognitions, we received government grants in support of the clinical trials as well as development of chemical and manufacturing processes for these drug candidates. Our RDV/DNV Regimen was recognized as a 2018 Provincial Major Research and Development Project (2018省重點研發計劃項目立項清單), which provides government support and funding for innovative scientific and technology projects in Zhejiang province. We were also qualified and recognized as a National High and New Technology Enterprise and a leader of the National Hepatitis C Project (丙肝課題全國牽頭單位) in China. With respect to certain of these government-sponsored research and development programs and to support our business in general, during the two years ended December 31, 2017 and the three months ended March 31, 2018, we received government grants in compensation for expenses arising from research activities and clinical trials, awards for new drugs development and capital expenditure incurred on certain projects. See "Financial Information — Description of Certain Consolidated Statements of Profit or Loss — Other Income and Gains."

Our In-house Research and Development Activities

Our in-house research and development activities mainly focus on in-house laboratory research to design and select lead compounds, pre-clinical studies, clinical trial design and implementation. Our in-house research and development, including the development of each of our drug candidates and pre-clinical programs, is led by our research and development committee and carried out by our research and development team. See "— Research and Development Process" and "— Overview" for details of our research and development committee and research and development team, respectively.

Our in-house research and development activities for the development of our drug/drug candidates and pre-clinical programs are as follows:

- *Drug/Drug candidates*. For Ganovo®, ravidasvir, ASC21, ASC09 and ASC06, our development team is responsible for conducting pre-clinical and toxicology studies, (ii) formulating clinical trial designs, (iii) conducting phase I, II and III clinical trials, and (iv) conducting chemistry, manufacturing and controls. Our regulatory team is responsible for communicating with the CFDA regarding research and development, and NDA and/or IND filings.

- *Pre-clinical programs.* In order to develop the compound candidate for clinical trials, our compound discovery team is responsible for (i) target discovery, (ii) selecting biological model to study compound activity, (iii) designing and optimizing lead compound, and (iv) conducting stability and safety testing to study physical and chemical properties of the lead compound.

Outsourced Research and Development Activities

In line with industry practice, we outsource certain research and development activities to third parties. We engaged certain Independent Third Party CROs to conduct clinical trials during the two years ended December 31, 2017 and the three months ended March 31, 2018. See "— Raw Materials and Suppliers — CROs." For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our third-party contracting costs amounted to RMB15.5 million, RMB16.6 million, RMB3.6 millon and RMB5.3 million, respectively. We closely monitor and control the activities of these CROs to ensure their progress and quality, including through the following measures:

- *Scope of work.* We set out detailed milestones, timelines, requirements and standards for the CROs to control the progress and quality of our clinical trials.

- *GCP*. We require our CROs to conduct clinical trials in accordance with Good Clinical Practices (GCP), an international best practice standard for conducting clinical trials. Typically, we require the CRO personnel handling our clinical trials to hold GCP certification or have GCP training experience.

- *Comprehensive review*. We review and analyse the all of the documentation recorded for each patient participating in our clinical trials, including laboratory tests, clinical results and reports.

- *Close monitoring*. We hold progress meetings with CROs every two weeks during the clinical trial and maintain meeting notes as written records. We also conduct co-monitoring and source data verification of our CROs' work on a monthly basis and at key milestones of the clinical trial. The results from these monitoring activities will be compiled into reports and we will follow up on and resolve any issues discovered in the process.

- *Third-party audit.* We engage third-party auditors with extensive experience in clinical trial practice, regulatory matters and quality control to review and monitor the activities of the CROs.

COMMERCIALIZATION

Overview

We have begun to build our commercialization team since February 2016 to lay the foundation for the commercialization of our first products and develop a targeted marketing strategy. A substantial majority of our current commercialization team joined us by mid-2017, which gave our team a head start in penetrating the market. The targeted geographical segment for Ganovo® and ravidasvir is nationwide in the PRC, as our Ganovo® and ravidasvir can be used by HCV patients across the country. We have built a robust commercialization team of approximately 150 members covering a network of more than 850 hospitals strategically located in regions where hepatitis C is most prevalent in China. The potential patient population for our Ganovo® is the population of HCV genotypes 1 and 4 patients in China. Ganovo® has been shown in clinical trials to be effective against HCV genotypes 1 and 4 and has been shown in pre-clinical studies to have potent activity against HCV genotypes 1 through 6. There are a total of approximately 14.4 million to 18.8 million HCV genotypes 1 and 4 patients in China, representing approximately 57.2% to 74.5% of the total HCV patient population in China in 2017. As our ravidasvir is a pan-genotypic NS5A inhibitor as shown in *in vitro* studies, the potential patient population for ravidasvir covers the entire HCV patient population in China of approximately 25.2 million people in 2017. Moreover, DAA treatments are expected to increasingly replace the current primary regimen of pegylated interferon and ribavirin, and completely replace the current primary regimen by 2023, according to the F&S Report. Our pre-commercialization work primarily consisted of pre-launch market research and patient analysis, brand-building, identifying and educating and coverage of hospitals, doctors and KOLs. The commercialization of Ganovo® and our drug candidates, such as ravidasvir, are subject to risks, including those related to pricing, market acceptance and our distribution network. See "Risk Factors — Risks Relating to Our Financial Prospects" and "Risk Factors — Risks Relating to Commercialization of Our Drug Candidates" for details.

Commercialization Team

We have established a commercialization committee, which consisted of ten members, including our chief executive officer, vice president, directors and associate directors, responsible for commercialization strategy development and overall management of our sales activities. As of the Latest Practicable Date, our commercialization team consisted of approximately 150 members and was led by five team leaders covering sales, marketing strategy, market access/reimbursement and channel/distribution, respectively. In addition, we had 21 regional sales managers and personnel. We

believe that experience in the hepatitis field is crucial to building a business network with hospitals and doctors, and commercialization experience is key to the success of our drug candidates. Many of our sales directors have over ten years of experience working at global pharmaceutical companies like Roche, BMS, GSK, Merck and Novartis in China, and many have successfully bringing blockbuster hepatitis drugs such as Baraclude and Pegasys to the market. More than 50% of our regional managers have experience in the hepatitis field for four to 11 years. In order to motivate our commercialization team members and increase their efficiency, remuneration of our commercialization team members is tied to various key performance indicators including completion of commercialization targets. High achievers who surpass the targets will be rewarded with bonuses, share options and promotions. We also regularly provide in-house training for our commercialization team members to enhance their industry knowledge and marketing skills that enable continuous career development.

Our Commercialization Strategies

The following sets forth commercialization strategies we engaged in during the two years ended December 31, 2017 and the three months ended March 31, 2018 and prior to the commercialization of our drug candidates. We intend to continue to engage in such activities after Ganovo® and our drug candidates, including ravidasvir, are commercialized, which we expect to become the main marketing activities and channels for our drugs.

Pre-launch Market Research and Analysis

During the two years ended December 31, 2017 and the three months ended March 31, 2018, our commercialization efforts mainly focused on Ganovo® and ravidasvir. Our commercialization team visited hospitals and doctors to provide scientific information about our drug candidates to our targeted customers. We believe that sharing information from our clinical trials in comparison with competitor products and updating prescribers on the approval process of our drug candidates enables us to build pre-commercialization demand from our targeted customers and strengthen our connection with potential prescribers. Moreover, we believe that these efforts are especially important in chronic diseases like hepatitis C, where breakthrough therapies have been highly anticipated by doctors and patients. Through these efforts, we aim to provide scientific information about our drug candidates to doctors and other medical professionals and solidify our academic recognition and brand awareness among medical experts. We believe that our relationships with doctors and medical experts help to raise our profile and enhance our brand awareness in the medical community and among patients, which in turn help the commercialization of our drug candidates.

Patient Research and Analysis

Identifying our key markets is crucial to effective commercialization efforts. Instead of targeting all major hospitals in China, we have focused our efforts on hospitals and doctors with liver disease specialties with significant HCV patient potential. We have focused on lower-tiered cities in an effort to: (i) reach HCV patients that did not have access to effective care; (ii) be the first mover in regions with market potential; and (iii) benefit from our price advantage in regions with lower GDP and purchasing power. By analyzing the number and geographical location of HCV patients, our sales directors evaluate and allocate the resources to optimize efficiency of our salesforce.

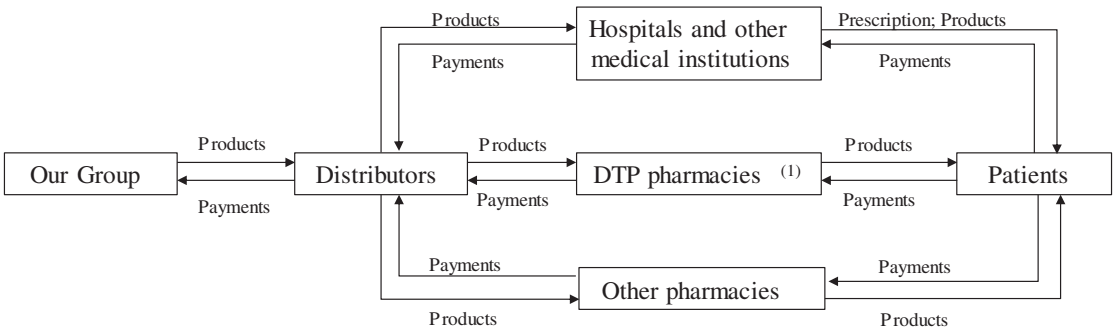
HCV Awareness Raising

We regularly organize and participate in academic conferences, seminars and symposia. We also sponsor events focused on hepatitis. We invite leading hepatitis experts to give lectures on the latest academic knowledge and information about hepatitis C and treatments and share their insights and experience. We are currently working with KOLs to lead the Zhejiang HCV Free Initiative and are also a member of the "Eliminate HCV in China Alliance." Through these efforts, we expect to raise public awareness for HCV and improve HCV diagnosis rates in high-risk populations. We aim to diagnose and treat more HCV-infected patients, so as to eliminate hepatitis C in China.

Distribution Network

We expect to sell our products to hospitals and other medical institutions, DTP pharmacies and other pharmacies through our distributors, either directly or through their sub-distributors. We are in the process of building our network of distributors and have entered into distribution agreements with distributors. We believe that our distribution model is consistent with customary industry practice and serves to ensure efficient coverage of our sales network while controlling our cost of distribution and account receivables.

The following diagram illustrates our sales arrangement with distributors, hospitals, DTP pharmacies and other pharmacies and patients, according to the arrangements entered into with distributors:



Note:

(1) Direct-to-patient pharmacies obtain medicine directly from pharmaceutical companies and mainly sell prescription medicine instead of over-the-counter medicine to patients.

We select our distributors based on their qualifications, reputation, market coverage and sales experience. To distribute our products, a distributor must maintain its business license, GSP certificate, pharmaceutical trade license and other relevant licenses and permits. A distributor must also maintain extensive hospital coverage in the designated region. A distributor must be capable of delivering our products to covered hospitals in a safe and timely manner.

We plan to actively monitor the inventory levels of our distributors to increase the efficiency of our distribution network. We will have access to the inventory databases of our major distributors, which will allow us to keep track of our product flow and their sales and inventory information in real time. As part of our distributor management policy, distributors are required maintain a suggested level of inventory to ensure that we are able to meet market demand. In addition to periodically monitoring the inventory databases of our distributors, we will also review the volume of products sold to each distributor against the volume of products the distributors resell to hospitals, pharmacies and other medical institutions on a monthly basis.

We maintain a buyer-seller relationship with distributors. We have entered into a number of distribution agreements with different distributors. Major terms of our distribution agreements are summarized as follows:

- *Term*. One year.

- *Exclusive territory*. Our distributors cover designated provinces and cities.

- *Use of sub-distributors*. Our distributors may use sub-distributors with proper GSP certification to extend its hospital coverage.

- *Distribution rights*. We grant distributors non-exclusive allocation and distribution rights of designated products within its designated regions. Our agreements generally specify the products to be distributed and the geographic regions and hospitals to be covered by each distributor.

- *Product price and payment*. Product price under each agreement reflects the prevailing pricing arrangement resulting from the local competitive tendering process. In addition, we set product prices to distributors at a discount to the product retail price. For more information on our pricing policy, see "— Commercialization — Pricing and Reimbursement Strategy." Distributors will make payments in full via bank acceptance bills, wire transfer and checks before the due date stated in the respective purchase orders.

- *Purchase amount*. No mandatory and minimum purchase amount is required from our distributors.

- *Credit term*. We will conduct credit assessments on each of our distributors and will grant a credit term of 60 days to our distributors.

- *Delivery.* We bear the costs of transporting our products to the distributor.

- *Product return.* We do not allow product returns by our distributors unless there are product quality issues.

- *Adverse Drug Reactions ("**ADR**") reporting*. In the event of a serious or suspected ADR, the distributor reports all relevant information to us in writing immediately.

Pricing and Reimbursement Strategy

The prices of our products are determined by benefits and values for patients and market competition. We price our products, including Ganovo® and ravidasvir, after obtaining NDA approval, which is in line with industry practice. Having been granted the NDA approval for danoprevir on June 8, 2018, in line with industry practice, we priced Ganovo® (danoprevir) within days prior to first product sales and set the product price to our distributors with reference to prices of competitors' products (including current primary regimen and approved DAA products in China), retail prices and production costs, among other factors. The price to patients for the danoprevir DAA is RMB39,996 for the 12-week treatment duration in combination with pegylated interferon and ribavirin. We seek to list our products on the national and/or provincial reimbursement drug lists, which will make our products more affordable to patients across China. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have obtained an IND approval for ravidasvir as a Category 1 drug. Both of danoprevir and ravidasvir have been designated for Priority Review by the CFDA and also been selected by the NHFPC as National Science and Technology Major Projects for "Innovative Drug Development" under the 13th Five-year Plan. Leveraging the above, we believe danoprevir and ravidasvir has an advantage in the following aspects: (i) government tender, (ii) hospital procurement, and (iii) reimbursement on the NRDL or PRDL under China's national medical insurance plan. To better prepare us to obtain reimbursement opportunities for our drug candidates, we are engaged in or plan to engage in market access strategy formulation, payer advocacy, and policy discussions and engagement with relevant national and provincial government authorities.

MANUFACTURING

We commenced manufacturing of danoprevir shortly after receiving NDA approval on June 8, 2018. We have one manufacturing facility located in Shaoxing, Zhejiang province with a total gross floor area of 17,000 square metres. Our manufacturing facility has one production line with a designed annual production capacity of 130 million tablets. As substantially all of our drug candidates are administered in tablet form, we are able to manufacture our drugs using the same production line. We have obtained the drug production license for our manufacturing facility. Pursuant to the NDA we filed for danoprevir, the CFDA has carried out manufacturing and GMP inspections at our manufacturing facility, which we have passed. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. We have received the GMP certification to manufacture tablet formulations of danoprevir shortly after receiving NDA approval for danoprevir. Our PRC Legal Advisers have advised us that, to date, we hold the necessary licenses, permits and certifications to manufacture danoprevir. We engage a contract manufacturing organization to manufacture the APIs for danoprevir. See "— Raw Materials and Suppliers — Contract Manufacturing Organization."

We own the technologies and intellectual properties to manufacture APIs for danoprevir, and any new intellectual properties developed by the contract manufacturing organization. We have engaged the contract manufacturing organization to manufacture APIs for danoprevir on our behalf, and currently do not contemplate to manufacture APIs in-house in order to maintain continuity in our source of APIs in the production of Ganovo® (danoprevir). Outsourcing API manufacturing is a common industry practice, according to the F&S Report, and we believe that it is economically viable to do so for danoprevir at this stage and would not have a material or adverse impact on our business and financial performance, considering that fees we pay to the contract manufacturing organization account for only a small fraction of our costs. Going forward, we will continue to assess our in-house and outsourcing plan for danoprevir. If we were to manufacture APIs for danoprevir in-house, we would be required to file an additional application with the relevant provincial level branches of the CFDA, which we believe would be a straightforward process.

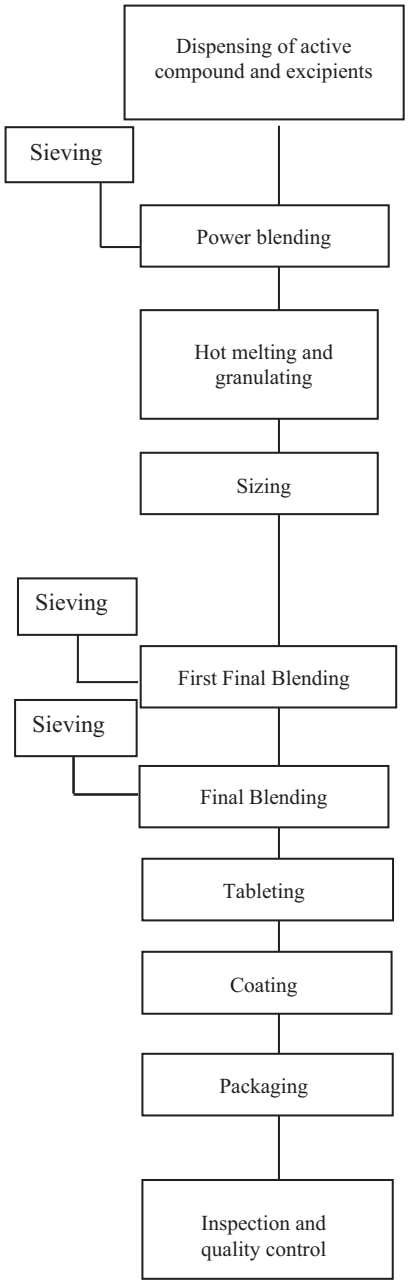
Unlike the case for danoprevir in which certain API manufacturing capabilities were not available at our manufacturing facility at the time of danoprevir's NDA filing, subsequently when we built our manufacturing facility, it was contemplated that we would manufacture the APIs and tablet formulation for ravidasvir in-house. After filing the NDA, the CFDA will arrange inspections of our manufacturing facility as part of the NDA technical assessment process for both APIs and tablet formulation.

Our manufacturing facility is equipped with state-of-the-art production equipment with cutting-edge technology capabilities such as hot-melt extrusion and high speed press to ensure the high quality of our products. Most of our equipment was purchased since 2015 from leading international manufacturers, such as Leistritz and Fette. For depreciation and useful life of our manufacturing equipment, see Notes 2.3 and 3 to the Accountants' Report set out in Appendix I of this Document.

Members of our manufacturing team have relevant experience at multi-national pharmaceutical companies such as Sanofi.

Manufacturing Process

The following diagram summarize the major steps in tablet formulation, which is the key manufacturing process for danoprevir. The time for key stages in our manufacturing process typically takes four to eight hours. Key manufacturing processes are set forth below.



- Large quantities of active pharmaceutical ingredients and excipients are weighed and added to intermediate bulk containers. The weight of each ingredient in the mixture is determined according to dose.
- Active pharmaceutical ingredients and excipients are blended together to create the blend used to manufacture the solid dosage form.
- Small granules are formed containing a proper mix of the ingredients of the formula.
- Small granules undergo a sizing process involving milling, crushing, grinding and pulverization to achieve a proper size and uniform dose.
- Excipients are added into the premixed particles and mixed in the mixer.
- Tablets are formed in a high-speed mechanical device.
- Tablets are coated to improve taste, add color and made easier to handle and package.

QUALITY CONTROL

As of the Latest Practicable Date, our quality control and assurance team consisted of 15 employees, of whom 9 held bachelor's or higher degrees. Our quality control and assurance team is led by Ms. Fei Ping, who has more than five years' experience in pharmaceutical quality control. Our quality control and assurance team members have average over six years of industry experience. We have established detailed quality control and assurance procedures guiding our internal production and external purchase of raw materials and drug substances. To ensure high product quality, we have implemented a "quality-by-design" approach pursuant to which manufacturing processes are designed during the drug development stage and quality control processes are continuously monitored.

RAW MATERIALS AND SUPPLIERS

The primary raw materials used to manufacture the API for Ganovo® include dipeptide carbamate, P3-DCHA and cyprosulfamide. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not manufacture our products in bulk and obtained raw materials for our trial production mainly from three reputable suppliers from overseas, such as South Korea, which we believe have sufficient capacity to meet our commercial demands. We have maintained stable relationships of more than one year with each of these suppliers and place orders with these suppliers on an as-needed basis. Lead time for our supplies is approximately six months. In preparation of the commercialization of Ganovo®, we have entered into a supply agreement to provide raw materials in larger volumes for commercial production. We selected these suppliers based on various factors, including their product selection, quality, reputation and business scale. We monitor the quality of supplies according to our standard operating procedure. We conduct sampling inspection of our raw materials before manufacturing. We believe that our primary raw materials are readily available from a number of suppliers, and we do not rely on any particular supplier or raw material.

CROs

In line with industry practice, we also engaged certain Independent Third Party CROs to conduct clinical trials during the two years ended December 31, 2017 and the three months ended March 31, 2018. We have maintain stable relationships of more than three years with CROs. We selected CROs based on various factors, including their quality, reputation and research experience in the hepatitis field. Generally, we enter into separate agreements with CROs for each clinical trial or service. We also entered into a master contract service agreement with a CRO and we executed statements of work for each clinical trial.

Key terms of this agreement and statements of work are summarized as follows.

- *Services*. The CRO provides clinical trials services, including clinical monitoring and inspection services, clinical research coordinator services, data management services, medical monitoring services, pharmacovigilance services, central laboratory services and management and biological samples and drug transportation services to us.

- *Term*. The CRO is required to complete the clinical trial within the prescribed time limit.

- *Payments*. We are required to make payments to the CRO by installments according to milestones of respective services during the clinical trials.

- *Medical disputes*. If any medical disputes arise due to adverse events during a clinical trial, both parties shall negotiate amicably.

- *Intellectual property rights*. All intellectual property rights arising from the clinical trial will be owned by us.

Contract Manufacturing Organization

We outsource the production of the APIs for danoprevir to an Independent Third Party manufacturer. The manufacturer is a GMP-certified contract development and manufacturing organization offering small molecule APIs and finished dosage forms. The manufacturer is a subsidiary of a leading pharmaceutical company in China and has a strong reputation with global pharmaceutical companies as its major customers. As a large API manufacturing company, the manufacturer's facilities have sufficient production capacity to support our needs. We have maintained cooperation with this manufacturer for around five years, starting before our manufacturing facility was completed. The contract manufacturer has provided us with APIs for our IND filing and NDA filing and for our clinical supply. According to the F&S Report, outsourcing API manufacturing is a common industry practice.

In anticipation of and to maintain continuity in our source of APIs in the commercialization of Ganovo®, we entered into a contract manufacturing agreement with such contract manufacturing organization in accordance with the Drug Marketing Authorization Holder Mechanism (藥品上市許可持有人制度). See "Regulations — Regulations Related to the Clinical Trials and Registration of Drugs — Regulations Related to Pilot Plan for the Marketing Authorization Holder System." Key terms of such agreement are summarized as follows:

- *Term.* Two years since the date of obtaining drug approval number for Ganovo® from the CFDA.

- *Raw materials.* We provide to the contract manufacturing organization the raw materials required to manufacture the APIs for danoprevir according to GMP and our requirements, including dipeptide carbamate, P3-DCHA and cyprosulfamide.

- *Manufacturing requirement.* The contract manufacturing organization should hold the necessary licenses and certifications for API manufacturing for danoprevir. The manufacturing facility should be in compliance with GMP requirements of the CFDA. The manufacturing process should meet the relevant guidance of the CFDA.

- *Fees and payments.* Fees we pay to the contract manufacturing organization for commercial scale manufacturing will be calculated based on volume received and a per unit fee. We receive different levels of volume discounts on the per unit fees based on our order size.

These per unit fees are fixed for the term of the contract manufacturing agreement and may only be changed upon the agreement of both parties, which we believe facilitates our control of the margins on our future product sales. Payments will be paid by us to the contract manufacturing organization within 30 days from the issue of invoice.

- *Order lead-time.* Ranges from 14 to 49 weeks depending on the ordered production volume.

- *Delivery.* The contract manufacturing organization is responsible for delivering the APIs to our manufacturing facility with delivery fees borne by the contract manufacturing organization.

- *Quality control.* The contract manufacturing organization shall establish relevant quality control system for danoprevir in accordance with cGMP. The agreement sets forth the quality and regulatory standards that the contract manufacturing organization is required to meet.

For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, purchases from our five largest suppliers amounted to RMB30.0 million, RMB58.3 million, RMB10.1 million and RMB13.0 million, respectively, accounting for 58.6%, 55.7%, 82.8% and 77.1% of our total purchase amounts. Purchases from our largest supplier amounted to RMB14.7 million, RMB16.2 million, RMB3.8 million and RMB3.3 million, respectively, for the same periods, accounting for 28.8%, 15.5%, 31.4% and 19.4% of our total purchase amounts. During the two years ended December 31, 2017 and the three months ended March 31, 2018, none of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

INVENTORY MANAGEMENT

Our inventory consists of raw materials. We generally maintain an inventory level for raw materials to support 12 to 24 months of production needs. We have established an inventory management system that monitors each stage of the warehousing process. We have a warehouse at our manufacturing facility. Warehouse personnel are responsible for the inspection, storage and distribution of raw materials. Raw materials are separately stored in different areas of the warehouse according to their storage condition requirement, properties, usage and batch number.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to their development and protection. We actively seek patent protection for our drug candidates in China and certain major jurisdictions and file additional patent applications, when appropriate, to cover improvements to our compounds. We rely on a combination of patents, trademarks and trade secrets as well as employee and third-party confidentiality agreements to safeguard our intellectual property. As of the Latest Practicable Date, we owned four patents in China. As of the same date, we

had filed three patent applications in China and three PCT patent applications. In addition, we also obtained sole and exclusive licenses from our in-licensing partners with respects to each of our drug candidates. Details of patents we owned or applied for or were exclusively licensed related to our products as of the Latest Practicable Date are summarized below:

- *Ganovo®*. We owned three patents in China (which were transferred to us from Roche) and had applied for one patent in China related to Ganovo®. Our patents related to Ganovo® in China will expire between 2024 and 2029, before taking into account any extension that may be obtained through patent term extension or adjustment, or term reduction due to filing of terminal disclaimers. We filed one patent application in China and one PCT patent application related to Ganovo®. Other than the patents owned by us and the patent applications filed by us, Roche owns and/or has the right to license all of the patent rights in relation to danoprevir in Greater China under the licensing agreement. These patents will expire between 2024 and 2031 in the PRC. Roche has granted to us sole and exclusive licenses for its patent rights for the development, manufacture and commercialization of danoprevir in Greater China.

- *Ravidasvir*. We owned one patent in China (which was transferred to us from Presidio) and had applied for one patent in China related to ravidasvir. Our patent related to ravidasvir in China will expire in 2029, before taking into account any extension that may be obtained through patent term extension or adjustment, or term reduction due to filing of terminal disclaimers. We filed one patent in China and one PCT patent application related to ravidasvir. We also filed one patent application in China and one PCT patent application related to our RDV/DNV Regimen as of the Latest Practicable Date. Other than the patents owned by us and the patent applications filed by us, Presidio owns all of the patent rights in relation to ravidasvir in Greater China under the licensing agreement. Presidio has granted to us sole and exclusive licenses for its patent rights for the development, manufacture and commercialization of ravidasvir in Greater China.

- *ASC21*. Medivir owns and/or has the right to license all of the patent rights in relation to ASC21 in Greater China under the licensing agreement. Medivir filed a patent application in the PRC in 2014 and will, upon approval, expire 20 years from the date of application. Medivir has granted to us sole and exclusive licenses for its patent rights for the development, manufacture and commercialization of ASC21 in Greater China.

- *ASC09*. Janssen owns and/or has the right to license the patent rights in relation to ASC09 in the PRC and Macau under the licensing agreement. The patent in the PRC will expire in 2027. Janssen has granted to us sole and exclusive licenses for its patent rights for the development, manufacture and commercialization of ASC09 in the PRC and Macau.

- *ASC06*. Alnylam owns and/or has the right to license all of the patent rights in relation to ASC06 in Greater China under the licensing agreement. The patents in the PRC will expire between 2021 and 2030 and the patent application in the PRC, which was applied for in 2010, will, upon approval, expire 20 years from the date of application. Alnylam has granted to us sole and exclusive licenses for its patent rights for the development and commercialization of ASC06 in Greater China.

As of the Latest Practicable Date, we owned eight trademarks, including trademarks for "歌禮生物 Ascletis" "Ganovo" and "戈諾衛" in China. As of the same date, we also had filed ten trademark applications overseas in Hong Kong. We also had 20 domain names in China, two domain names in Hong Kong and three domain names in the U.S., including *www.ascletis.com.cn*.

For details of our intellectual property rights, see "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group." For risks related to the expiry of our patent rights, see "Risk Factors — Risks Relating to our Financial Prospects —The terms of our patents may not be sufficient to effectively protect our drug candidates and business from competitors, including generic drugs."

We also rely on trade secrets, proprietary know-how and continuing technological innovation to develop and maintain a competitive position for our products. We generally require our employees, consultants, advisors and third-party business partners to enter into confidentiality agreements. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except under specific circumstances. Further, as a matter of our risk management policy, all the key scientific and technical employees have entered into agreements that generally require disclosure and assignment to us of ideas, developments, discoveries and inventions made by them which are relating to their employment with us.

We also follow procedures to ensure that we do not infringe on the intellectual property rights of others. As of the Latest Practicable Date, we had not been involved in any significant intellectual property disputes or encountered major difficulties in enforcing our intellectual property rights in China.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 264 employees, 261 of which were located in the PRC and three consultants were located abroad. As of the same date, over 60.0% of our employees obtained a bachelor's degree or higher. The table below sets forth our employees by function as of the Latest Practicable Date:

	Number of employees	% of total
Management	4	1.5%
Research and development	33	12.5%
Commercialization[(1)]	148	56.1%
Manufacturing	56	21.2%
Operations	23	8.7%
Total	264	100.0%

Note:

(1) Commercialization team members also perform certain research and development functions prior to commercialization.

We recruit our employees through recruitment websites, recruiters, internal referral and job fairs. We conduct new employee training, as well as professional and compliance training programs for employees of the commercialization team.

We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally determined by the qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

As of the Latest Practicable Date, we had not established a labor union. During the two years ended December 31, 2017 and the three months ended March 31, 2018 and as of the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We also maintain product liability insurance covering our clinical trials. In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with the industry practice in the PRC.

LICENSES AND PERMITS

As a PRC-based company engaged in developing, manufacturing and commercialization of pharmaceutical products, we are subject to regular inspections, examinations and audits, and are required to maintain or renew the necessary permits, licenses and certifications for our business. Our PRC Legal Advisers have advised us that, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in the PRC. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018, and we also received the New Drug Certificate and drug registration number for danoprevir.

The following table set forth details of our material licenses and permits:

License/Permit/Certificate	Holder	Purpose	Issuing Authority	Expiry Date
Drug Production License (藥品生產許可證)	Ascletis Pharmaceuticals	Production of tablet, and API (danoprevir and ravidasvir)	Zhejiang CFDA	September 4, 2021

PROPERTIES

Our headquarters are located in Hangzhou, Zhejiang province. As of the Latest Practicable Date, we did not have any owned properties and we leased a number of properties with an aggregate gross floor area of 22,221 square meters from Independent Third Parties in China. The following table sets forth the details of our leased properties as of the Latest Practicable Date:

Location	Use	Gross floor area (sq.m.)	Lease Term	Expiry Date
Hangzhou, Zhejiang province	Headquarters and offices	1,463.47	Five years	September 30, 2021
Shaoxing, Zhejiang province	Manufacturing facility and laboratory facility	17,000	Ten years	January 20, 2027
Beijing	Offices	177.57	Two years	September 9, 2019
Shaoxing, Zhejiang province	Staff dormitories	830	One to two years	Ranging from August 14, 2018 to April 18, 2019
Hangzhou, Zhejiang province	Offices and laboratory facility	2,720	One to three years	Ranging from April 2, 2019 to May 31, 2021

As of the Latest Practicable Date, the above said lease agreements had not completed lease registration with the relevant regulatory authorities. Our PRC Legal Advisers are of the view that the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. Therefore, we have right to use such properties in accordance with the lease agreement but we may be subject to the risks of fines if the lease registration is not completed as required by the relevant local housing administrative authorities. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not experience any dispute arising out of our leased properties.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of March 31, 2018, we had no single property with a carrying amount of 15% or more of our total assets.

ENVIRONMENTAL PROTECTION, OCCUPATIONAL HEALTH AND SAFETY

We are subject to environmental protection and occupational health and safety laws and regulations in China. However, as we did not commence manufacturing during the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not incur material environmental protection expenses during such period. During the two years ended December 31, 2017 and the three months ended March 31, 2018 and as of the Latest Practicable Date, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the same period.

We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. Our employees responsible for manufacturing and quality control and assurance are required to hold relevant qualifications, as well as wear the proper safety gear when working. We conduct safety inspections for our manufacturing facility twice every month.

COMPETITION

The anti-viral drug development industry in China is highly competitive. We mainly face competition from global pharmaceutical companies, and may face competition from domestic biotechnology companies in the future. We compete primarily based on our product pipeline, biotechnology platform, ability to commercialize products, brand recognition and disease awareness of the public.

Our key competitors vary by drug. For any of our drug candidates, our competitors may compete with products that are better recognized for certain indications or more accepted in the medical profession. For further details of our majors competitors in respect of our core products, see "— Our Product Pipeline."

AWARDS AND RECOGNITION

The table below sets forth a summary of the major awards and recognition we received during the two years ended December 31, 2017 and the three months ended March 31, 2018:

Award/Recognition	Award date	Awarding authority
Dapsang phase II clinical trial report for danoprevir was recognized as special invited report of the committee.....	March 13, 2015	Organizing Committee of the 24th Conference of Asian Pacific Association for the Study of the Liver

Award/Recognition	Award date	Awarding authority
Ascletis BioScience was accredited as High and New Technology Enterprise (高新技術企業).....	November 21, 2016	Science Department of Zhejiang Province
Ascletis BioScience was awarded as leading innovation and entrepreneurial team in Zhejiang province (浙江省領軍型創新創業團隊).....	January 25, 2017	Communist Party of China Zhejiang Provincial Committee Talent Work Leading Group office
Danoprevir was approved as a National Science and Technology Major Project For "Innovative Drug Development" (國家科技重大專項重大新藥創製專項立項)	December 30, 2016	Ministry of Science and Technology
Ravidasvir and ASC09 (TMC310911) were approved as National Science and Technology Major Project For "Innovative Drug Development" (國家科技重大專項重大新藥創製專項立項).....	December 28, 2017	National Health and Family Planning Commission
Ascletis Pharmaceuticals was awarded as leader of National Science and Technology Major Project For "HCV Innovative Drug Development" (國家科技重大專項重大新藥創製專項立項丙肝重大新藥創新全國牽頭單位).....	December 28, 2017	National Health and Family Planning Commission
Ascletis BioScience was awarded first prize of Growth Sector the Biopharmaceutical Industry of the 6th China Innovation and Entrepreneurship Competition (第六屆中國創新創業大賽生物醫藥行業成長組一等獎).....	September 19, 2017	Organizing Committee of China Innovation and Entrepreneurship Competition
Ascletis Pharmaceuticals was accredited as High and New Technology Enterprise (高新技術企業).....	November 13, 2017	Science Technology Department of Zhejiang Province
Ascletis BioScience was awarded as 2017 Top Ten Outstanding Start-ups in the Pharmaceutical Industry in China (2017中國醫藥行業十大傑出初創企業)	2017	med.sina.com
Ascletis BioScience was awarded as 2017 Star of Tomorrow of Medicine and Health sector in China (2017德勤中國醫藥健康明日之星)	2017	Deloitte

Award/Recognition	Award date	Awarding authority
Ascletis Pharmaceuticals was awarded as the Top 100 of China Enterprise List (2017未來醫療100強).....	2017	Vcbeat.net
Ascletis BioScience was recognized as an unicorn enterprise in Life and Health Industry in China (2017年度中國生命健康產業獨角獸企業).....	2017	The 2nd China Medical Entrepreneurs Conference
Ascletis BioScience was recognized as an unicorn enterprise in Hangzhou (杭州獨角獸企業)	2018	Hangzhou Venture Capital Association & Welian.com

COMPLIANCE AND LEGAL PROCEEDINGS

We may be involved in legal proceedings in the ordinary course of business from time to time. During the two years ended December 31, 2017 and the three months ended March 31, 2018 and as of the Latest Practicable Date, none of us or our Directors were involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which may have a material and adverse impact on our business, financial condition or results of operations.

As advised by our PRC Legal Advisers, during the two years ended December 31, 2017 and the three months ended March 31, 2018 and as of the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

BOARD OF DIRECTORS

Our Board of Directors comprise seven Directors, including two executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon reelection and/or reappointment.

The following table sets out information in respect of the Directors of the Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Jinzi Jason WU (吳勁梓)[1]	55	Chairman of the Board, executive Director and chief executive officer	April 2013	February 25, 2014	Overall management of the business, strategy and corporate development of the Group
Judy Hejingdao WU (何淨島)[1].	44	Executive Director and vice president	January 2014	March 30, 2018	Overseeing operations of our Group
Wei FU	36	Non-executive Director	September 2015	March 30, 2018	Participating in decision-making of important matters of our Group
Ru Rong JI	54	Independent non-executive Director	April 2018	April 27, 2018	Supervising and providing independent judgement to our Board
Yizhen WEI (魏以楨)	43	Independent non-executive Director	April 2018	April 27, 2018	Supervising and providing independent judgement to our Board
Jiong GU (顧炯).....	45	Independent non-executive Director	April 2018	April 27, 2018	Supervising and providing independent judgement to our Board
Lin HUA (華林).....	44	Independent non-executive Director	April 2018	April 27, 2018	Supervising and Providing independent judgement to our Board

1. Jinzi Jason WU and Judy Hejingdao WU are spouses.

Executive Directors

Jinzi Jason WU (吳勁梓), aged 55, is the Founder of our Group. Dr. Wu was appointed as a Director on February 25, 2014 and was appointed as the chairman of the Board on March 30, 2018. Dr. Wu was re-designated as an executive Director on April 27, 2018. Dr. Wu has served as the chief executive officer of our Group since April 2013. Dr. Wu is primarily responsible for overall management of the business strategy and corporate development of our Group. Dr. Wu is also responsible for research and development of danoprevir, ravidasvir, ASC21, ASC09 and ASC06. Dr. Wu also holds the following positions with other members of our Group:

- a director of PowerTree since January 2011;
- a director and chief executive officer of Ascletis BioScience since April 2013;
- a director and chief executive officer of Ascletis Pharmaceuticals since September 2014;
- a director of Ascletis Pharma (China) since March 2018; and
- a director and chief executive officer of Ascletis Biopharma since April 2018.

Dr. Wu has more than 17 years of experience in pharmaceutical research and development. From June 2008 to February 2011, he served as a vice president of HIV Drug Discover Performance Unit at GSK in the U.S., a global pharmaceutical company whose shares are listed on the New York Stock Exchange (ticker symbol: GSK), where he was mainly responsible for discovery and development of multiple pre-clinical and clinical stage drug candidates. From June 2004 to June 2008, Dr. Wu served as a vice president of Pre-clinical and Basic Research at Ambrilia (formerly known as Procyon), a global biotech company headquartered in Montreal Canada, whose shares were listed on the Canada Stock Exchange (ticker symbol: AMB) and were later delisted on March 4, 2011, where he was mainly responsible for overseeing research and development in areas of anti-viral and anti-cancer drugs. From 2002 to 2004, Dr. Wu also served at PhageTech Inc., an antibiotic discovery company, as a vice president of research and development. Dr. Wu also worked at Immunex Corporation as a group leader of small molecule drug discovery in 2002 prior to joining PhageTech Inc. From 1997 to 2000, Dr. Wu served as a senior scientist at Novartis Pharmaceuticals Corporation, a global pharmaceutical company whose shares are listed on New York Stock Exchange (ticker symbol: NVS), where he was mainly responsible for drug screening.

Dr. Wu received his bachelor's degree in physiology from Nanjing University (南京大學) in the PRC in July 1985, his master's degree in physiology from Nanjing University in the PRC in June 1988 and his doctorate degree in cancer biology from University of Arizona in the U.S. in August 1996. Dr. Wu has been recognized as a member of the "Thousand Talents Program" (千人計劃) in China granted by the PRC government in October 2012.

Judy Hejingdao WU (何淨島), aged 44, was appointed as a Director on March 30, 2018 and was re-designated as an executive Director on April 27, 2018. Mrs. Wu also served as a Director of our Company from September 9, 2015 to September 26, 2016. Mrs. Wu has served as a vice president of

our Group since January 2014. Since joining our Group, Mrs. Wu has actively participated in the daily operations of our Group and she is primarily responsible for overseeing operations of our Group, including management of our human resource and general affairs of our Group, among others. Mrs. Wu also holds the following positions with other members of our Group:

- a director and a vice president of Ascletis BioScience, where she is mainly responsible for operations of the company since January 2014; and

- a vice president of Ascletis Pharmaceuticals where she is mainly responsible for operations of the company since September 2014;

Mrs. Wu received her bachelor's degree in industrial design from Zhejiang University (浙江大學) in the PRC in July 1996.

Non-executive Directors

Wei FU, aged 36, was appointed as a Director on March 30, 2018 and was re-designated as a non-executive Director on April 27, 2018. Mr. Fu also served as a Director of our Company from September 9, 2015 to September 26, 2016. Mr. Fu is primarily responsible for participating in decision-making of important matters of our Group.

Since April 2014, Mr. Fu has served as the chief executive officer and legal representative at Shanghai Kangshiqiao Business Consulting Co., Ltd. in the PRC (上海康士橋商務諮詢有限公司), a business consulting and investment company. From August 2011 to December 2013, Mr. Fu served as a manager of the investment department at Far East Horizon Limited in the PRC (遠東宏信有限公司), a financial service company whose shares are listed on the Hong Kong Stock Exchange (stock code: HK.3360). From March 2008 to April 2010, Mr. Fu served as a vice president at Standard Chartered China where he was mainly responsible for private equity investment in relation to infrastructure project. From July 2006 to March 2008, Mr. Fu served as a business analyst at Macquarie Group China.

Mr. Fu received his bachelor's degree in electrical and electronic engineering from Nanyang Technological University in Singapore in February 2005.

Independent Non-executive Directors

Ru Rong JI, aged 55, was appointed as an independent non-executive Director on April 27, 2018. Dr. Ji is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Ji has over 20 years of experience in anaesthesiology research. Dr. Ji has been employed by Duke University as a professor in anaesthesiology with tenure since April 2012. Before joining Duke University, Dr. Ji worked at Harvard University Medical School where he was first appointed as an

instructor since July 1998 and was promoted to associate professor in January 2002. Prior to 1998, Dr. Ji also conducted postdoctoral research in neurobiology at Beijing Medical University (北京醫科大學) in the PRC, which is currently known as Peking University Health Science Center (北京大學醫學部), at Karolinska Institute in Sweden and at Johns Hopkins University in the United States.

Dr. Ji received his bachelor's degree in science from Nanjing University in the PRC in July 1985 and a doctorate degree in science focusing on neurobiology at Shanghai Institute of Physiology, Chinese Academy of Sciences (中國科學院上海生理研究所) in the PRC in October 1990. Dr. Ji was appointed as a Yangtze River Scholar (長江學者) by the Ministry of Education of China in January 2015 and recognized as a member of "Thousand Talents Program" (千人計劃) in China granted by the PRC government in May 2017. Dr. Ji was appointed as the co-director of Center for Translational Pain Medicine at Duke University School of Medicine in December 2017.

Yizhen WEI (魏以楨), aged 43, was appointed as an independent non-executive Director on April 27, 2018. Dr. Wei is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Wei has over 18 years of experience in clinical medicine industry. Since December 1999, Dr. Wei has served several positions at Fuwai Hospital - China Academy of Medical Science (中國醫學科學院阜外醫院), including resident physician from December 1999 to September 2003, attending physician from September 2003 to July 2009 and consultant physician then. Dr. Wei was appointed as a medical appraisal expert of Beijing Medical Association (北京市醫學會) in December 2013. Dr. Wei has served as a member of the Cardiovascular Committee of the National Cardiovascular Disease Center since August, 2016.

Dr. Wei received his bachelor's degree in clinical medicine in English (英文醫學) from China Medical University (中國醫科大學)in the PRC in July 1998 and his doctorate degree in Surgery from Chinese Academy of Medical Science & Peking Union Medical College (中國醫學科學院北京協和醫學院) in the PRC in January 2008.

Jiong GU (顧炯), aged 45, was appointed as an independent non-executive Director on April 27, 2018. Mr. Gu is primarily responsible for supervising and providing independent judgement to our Board. Mr. Gu is also the chairman of the audit committee of our Board.

Since September 2013 and October 2015, Mr. Gu has served as the chief financial officer of CMC Capital Partners (華人文化產業投資基金), an investment fund specializing in media and entertainment investment in the PRC and globally, and CMC Holdings Limited (華人文化有限責任公司), an investment platform focusing on media and entertainment investments, respectively. From January 2010 to August 2013, Mr. Gu served as the chief financial officer in BesTV New Media Co., Ltd., a PRC company principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through a media source platforms, whose shares are listed on Shanghai Stock Exchange (stock code: 600637). From April 2004 to December 2009, Mr. Gu successively worked at UTStarcom Telecom Co., Ltd. (UT斯達康通訊有限公司) and its holding company, UTStarcom Inc. a global telecom infrastructure provider specialized in the provision of packet optical transport and broadband access products to network operators, whose shares are listed on Nasdaq (ticker symbol: UTSI), where he was responsible for

accounting and financial matters. From July 1995 to April 2004, Mr. Gu had worked for Ernst & Young's Shanghai office and was the senior manager of the audit department when he left the firm. Mr. Gu currently serves as an independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司) (stock code: HK.2699) and Chen Xing Development Holdings Limited (辰興發展控股有限公司) (stock code: HK.2286). Mr. Gu was a non-executive director and has been an alternate director of Shaw Brothers Holdings Limited (邵氏兄弟控股有限公司) (stock code: HK.0953) from January 2016 to October 2016 and since October 2016, respectively.

Mr. Gu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu received his bachelor's degree in finance management from Fudan University (復旦大學) in the PRC in July 1995.

Ms. Lin HUA (華林), aged 44, was appointed as an independent non-executive Director on April 27, 2018. Ms. Hua is primarily responsible for supervising and providing independent judgement to our Board.

Since May 2016, Ms. Hua has served as the managing director of Beijing Highgrove Cultural Communication Co., Ltd. (北京海格羅府文化傳播有限公司), a company primarily conducted cultural communication activities including organizing exhibitions and introducing and marketing foreign brands into PRC, where she was mainly responsible for overall management of its Greater China operations. From April 2010 to April 2016, Ms. Hua had worked for Yang Guang Xin Ye Real Property Co., Ltd. (陽光新業地產股份有限公司), a real estate development and management company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000608) and served as a vice president of commercial management department when she left. From May 2003 to March 2010, Ms. Hua worked at Verakin Group Company Ltd. (同景集團有限公司), a company primarily conducted real estate development, education, healthcare and tourism and served as board secretary and head of Beijing headquarter when she left. From October 2002 to April 2003, Ms. Hua served as an assistant to producer and program director at China Central Television. From September 1996 to June 2000, Ms. Hua worked at Daiko Pacific International Advertising Inc. (大廣太平洋國際廣告有限公司), an international advertising company, and she served as a creative director when she left.

Ms. Hua received her bachelor's degree in industrial design from Zhejiang University in July 1996 and her master degree in distributed computing system from the University of Greenwich in the U.K in June 2002.

Ms. Hua was a director of Jinji Xinyi Real Property Development (Beijing) Co., Ltd. (金基信怡房地產開發(北京)有限公司) ("Jinji Xinyi"), the business license of which was revoked as of the Latest Practicable Date.*Note 1*

Note 1: To the best knowledge of Ms. Hua, Jinji Xinyi did not have any business activities since its incorporation and maintained a non-operation status. Its business license was revoked by Beijing AIC and remained revoked as of the Latest Practicable Date. As confirmed by Ms. Hua, she was not involved in the business operation of Jinji Xinyi at the relevant time and therefore the revoke of business license of Jinji Xinyi was not due to any default of Ms. Hua.

SENIOR MANAGEMENT

The following table provides information about our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management of our Group	Roles and responsibilities
Jinzi Jason WU (吳勁梓)	55	Chief Executive Officer	April 2013	April 2013	Responsible for overall management of the business of our Group
Judy Hejingdao WU (何淨島) ..	44	Vice President	January 2014	January 2014	Responsible for operations
Yi CHEN.....	54	Vice President	March 2018	March 2018	Responsible for corporate affairs and government relationship affairs
Yuemei YAN (言月梅).....	47	Vice President	November 2016	November 2016	Responsible for product sales

Jinzi Jason WU (吳勁梓), aged 55, was appointed as the chief executive officer of our Group in April 2013. Please refer to the section headed "— Board Of Directors — Executive Directors — Jinzi Jason WU" for his biography.

Judy Hejingdao WU (何淨島), aged 44, was appointed as a vice president of our Company in January 2014. Please refer to the section headed "— Board Of Directors — Executive Directors —Judy Hejingdao WU" for her biography.

Yi CHEN, aged 54, was appointed as a vice president of our Group in March 2018. Dr. Chen is mainly responsible for corporate affairs and government relations affairs.

Before joining our Group, Dr. Chen worked as a director at Abbott Diabetes Trading (Shanghai) Co., Ltd. (雅培貿易(上海)有限公司), a medical device manufacturer, from July 2015 to December 2017 where she was mainly responsible for market access affairs. From November 2014 to June 2015, Dr. Chen served as a consultant at the World Bank. From August 2012 to August 2014, Dr. Chen serves as a vice president at Shanghai Branch of Eli Lilly and Company (Suzhou) Limited (禮來蘇州製藥有限公司上海分公司), a global pharmaceuticals company, where she was mainly responsible for corporate affairs and government relations. From May 2011 to July 2012, Dr. Chen worked as a director of public policy and government relations in the PRC at Becton Dickinson Medical Device (Shanghai) Co., Ltd. (碧迪醫療器械(上海)有限公司). From March 2006 to May 2011, Dr. Chen served as a director at the R&D based Pharmaceutical Association Committee of China Association of Enterprises with Foreign Investment (中國外商投資企業協會藥品研製和開發行業委員會), a

pharmaceutical research center, where she was mainly responsible for pharmaceutical policy research advocacy and government affairs. From April 2000 to January 2003, Dr. Chen served as an economist at Department of Labor of the United States, where she was mainly responsible for policy research. From December 1995 to May 2000, Dr. Chen served as a consultant at the World Bank in Washington D.C in the United States.

Dr. Chen received her bachelor's degree in world economy from Fudan University in the PRC in July 1985, her master's degree in economics from the University of Utah in the U.S. in August 1990 and her doctorate degree in economics from University of Utah in the U.S. in June 1998. Dr. Chen was also appointed as a director of the China Health Economics Association (中國衛生經濟學會) in May 2017.

Yuemei YAN (言月梅), aged 47, has been appointed as the director of sales of the Group since November 2016 and was appointed a vice president of the Company in April 2018. Ms. Yan is primarily responsible for product sales.

Before joining our Group, Ms. Yan worked at Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司) ("**Squibb Pharmaceuticals**"), a pharmaceutical manufacture company, from November 2005 to October 2016. At Squibb Pharmaceuticals, Ms. Yan was initially appointed as a sales manager for liver disease products and later served at different positions involving cardiovascular and anti-viral products within the company. Ms. Yan served as the national sales director when she left Squibb Pharmaceuticals in October 2016. From June 2001 to October 2005, Ms. Yan worked as a pharmacy sales at Hangzhou Merck Sharp & Dohme Pharmaceuticals Limited (杭州默沙東製藥有限公司), an indirectly controlled subsidiary of a global pharmaceutical company whose shares are listed on the New York Stock Exchange (ticker symbol: MRK) mainly conducting pharmaceutical manufacture business. From August 1988 to June 2001, Ms. Yan served as a nurse at Ningbo No. 1 Hospital (寧波市第一醫院).

Ms. Yan received her college degree in nursing from Zhejiang University in the PRC in December 1999 through part-time study.

SENIOR CONSULTANTS

Kristjan Sigurdur GUDMUNDSSON, aged 50, has worked as a senior consultant and head of discovery of our Group since May 2013. Dr. Gudmundsson primarily oversees pre-clinical discovery programs. Dr. Gudmundsson has significant experience in large and small pharmaceutical companies in research and discovery at early stage and development focusing on synthesis and formulation for commercial production at later stage. Dr. Gudmundsson was actively involved in the development of multiple late stage clinical candidates including the antiviral agent Maribavir®, integrin antagonists Firategrast® and TR-14035.

Before joining our Group, Dr. Gudmundsson served as the vice president of medicinal chemistry at Novatarg Therapeutics, a pharmaceutical research and development company from April 2010 to January 2012, where he was mainly responsible for research and development of innovative medicine.

From February 1998 to December 2007, Dr. Gudmundsson worked at GSK, where he was mainly responsible for pharmaceutical research and development. Prior to 1998, Dr. Gudmundsson served as a research scientist at Tanabe Research Laboratories, a pharmaceutical company, where he was mainly responsible for pharmaceutical research and development.

Dr. Gudmundsson received his master degree in pharmacy from the University of Iceland in June 1991 and his doctorate degree in medicinal chemistry from the University of Michigan in December 1996. Mr. Gudmundsson has been recognized as a registered pharmacist in Iceland by the Ministry of Health of Iceland since July 1991. Dr. Gudmundsson has also published more than 40 articles in relation to drug research, discovery and development in academic journals and was the co-author of a book on novel drugs for cytomegalovirus disease.

George Zhengzhi HILL, aged 68, has worked as an senior consultant of our Group since September 2017 and chief medical advisor since March 2018. Dr. Hill primarily provides consultation for our clinical development strategies.

Dr. Hill has over 20 years of experience in pharmaceutical industry. Before joining our Group, Dr. Hill worked at Roche from November 1996 to March 2017, a global pharmaceutical company whose shares were listed on the Six Swiss Exchange (ticker symbol: ROG), where he was actively engaged in several clinical development programs, including oseltamivir and a series of HCV drug development such as Pegasys, RBV prodrug, R1626 and danoprevir.

Dr. Hill received his master degree in medicine from China Academy of Chinese Medical Science (中國中醫科學院) (formerly known as the Research Institute of Chinese Medical Sciences (中國中醫研究院)) in the PRC in March 1984 and his doctorate degree in biomedical engineering from the University of Texas at Austin in the U.S in May 1991.

Save as disclosed herein, none of our Directors of the Company held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this Document. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Hong Kong Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no other 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.

JOINT COMPANY SECRETARIES

Mr. Jianjiong WANG (王漸炯), aged 43, one of our joint company secretaries, was appointed on April 27, 2018. Mr. Wang has joined us and served as the vice director of general affairs (綜合事務副總監) since January 2015. Mr. Wang has over 22 years of experience in healthcare and pharmaceutical industry.

Before joining our Group, Mr. Wang has worked as an assistant to chairman of the board at Shanghai Winner Plastic Surgery Products Co., Ltd (上海威寧整形製品有限公司) from July 2011 to December 2014. Mr. Wang has worked as an assistant to general manager in Hangzhou Aida Pharmaceutical Co., Limited (杭州愛大製藥有限公司), the subsidiary of an OTC Markets listed company (stock ticker AIDA) from June 2002 to June 2011. From July 1996 to June 2002, Mr. Wang worked at Zhejiang Medicine Co., Ltd. (浙江醫藥股份有限公司) whose shares were listed on Shanghai Stock Exchange (stock code: 600216) and was the chairman secretary when he left the company.

Mr. Wang obtained a bachelor's degree in administrative management (行政管理) from East China University of Science and Technology (華東理工大學) in July 1996 and a bachelor's degree in healthcare enterprise management (醫藥企業管理) from China Pharmaceutical University (中國藥科大學) in July 2000.

Mr. Lok Kwan YIM (嚴洛鈞), was appointed as one of our joint company secretaries on June 4, 2018. Mr. Yim currently serves as a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services. He has over six years of experience in corporate services industry.

Mr. Yim obtained his bachelor's degree in accounting from Hong Kong Shue Yan University and his master degree in corporate governance from Hong Kong Polytechnic University. Mr. Yim is a fellow member of both of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEES

Our Company has established three committees under the Board pursuant to the laws and regulations of the PRC and corporate governance practice requirements under the Hong Kong Listing Rules, including the audit committee, remuneration committee and nomination committee.

Audit committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Mr. Jiong GU, Dr. Yizhen WEI and Ms. Lin HUA. Mr. Jiong GU, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the

terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises three independent non-executive Directors, namely Ms. Lin HUA, Dr. Yizhen WEI and Dr. Ru Rong JI. Ms. Lin HUA is the chairman of the committee.

Nomination committee

We have established a nomination committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises three Directors, namely Dr. Wu, Dr. Ru Rong JI and Ms. Lin HUA. Dr. Wu is the chairman of the committee.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

In view of Dr. Wu's experience, personal profile and his roles in our Group as mentioned above and that Dr. Wu has assumed the role of chief executive officer of our Group since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Group that upon Listing, Dr. Wu acts as the chairman of the Board and continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Hong Kong Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises four independent non-executive directors out of seven Directors, which is more than half of the Board composition and the Hong Kong Listing Rules requirement of one-third, and we believe that there is sufficient check and balance in the Board; (ii) Dr. Wu and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

CORPORATE GOVERNANCE

We have appointed Somerley Capital Limited as our compliance adviser (the "Compliance Adviser") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance 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 [REDACTED] of the [REDACTED] in a manner different from that detailed in this Document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [REDACTED] volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the [REDACTED] 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 [REDACTED].

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, and (ii) a confidentiality and non-competition agreement with our senior management members and other key personnel. Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

- *Term:* We normally enter into two- or three-year employment contract with our senior management members and other key personnel.

- *No conflict:* During the term of the employment contract, unless expressly agreed by us, the employee shall not engage in any part-time job or activities that create a conflict of interest with us. If the employee breaches this provision, we may choose to terminate the employment contract and hold the employee accountable for all of the loss incurred by us as a result of the breach.

Confidentiality

- *Scope of confidential information*. The employee shall keep the following information confidential:

  i. our trade secrets, including information relating to our technology and operations;

  ii. any trade secrets that the employee gains access to during his/her term of employment as a result of providing service to our customers, including customers who have already entered into a contract with us or customers with whom the contract is under negotiation, including information relating to our technology and operations;

- *Confidential obligation.* The employee shall not leak, disclose, publish, announce, issue, teach, transfer or make any third party (including employees who are not privy to such trade secrets) aware of any trade secret of ours or our customers in any manner; or utilize such trade secret on his/her own or with any other third party beyond his/her scope of work.

- *Confidential period.* The confidentiality obligation shall continue to be in effect after the departure of the employee, unless such trade secrets become public knowledge.

Non-competition clause

- *Non-competition obligation*. Upon termination or expiration of the employment contract, the employee shall not serve in any capacity (including as an employee, consultant, director or agent) at any company which may compete with us or conducts research, manufacturing or commercialization of any similar product.

- *Term and Scope*. The non-competition obligation is effective globally for one year upon termination or expiration of the employment contract.

- *Non-competition Compensation.* We shall pay the employee a percentage of their monthly average salary in the 12 months immediately preceding the termination or expiration of the employment contract for every month during the non-competition period.

DIRECTORS' REMUNERATION

For details on the service contracts and appointment letters signed between the Company and our Directors, please refer to the section "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Directors" in Appendix IV to this Document.

For the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to Directors were approximately RMB4.2 million, RMB4.4 million and RMB1.0 million. For remuneration details of all Directors during the two years ended December 31, 2017 and the three months ended March 31, 2018, please refer to Note 7 to the Accountants' Report as set out in Appendix I of this Document.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ended December 31, 2018 is expected to be approximately RMB5.6 million.

The remuneration of Directors has been determined with reference to the salaries of comparable companies and their experience, duties and performance.

For the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, the five highest remuneration individuals of our Company included two, two and two Directors respectively, their remunerations were included in the total amount paid by us for the emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) of the relevant Directors. For the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, the total amount of remuneration and benefits in kind (if applicable) paid by us to the five highest remuneration individuals were approximately RMB6.5 million, RMB8.7 million and RMB2.1 million.

For the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, no remuneration was paid by us nor receivable by directors or the five highest remuneration individuals as incentives for joining or as rewards upon joining our Company. For the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, no remuneration was paid by us nor receivable by Directors, past Directors or the five highest remuneration individuals as compensation for leaving positions relating to management affairs in any subsidiary of the Company.

For the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, none of our Directors have waived any remuneration. Save as disclosed above, for the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors or the five highest remuneration individuals.

Save as disclosed above, no Director is entitled to receive other special benefits from the Company.

OVERVIEW

Immediately upon completion of the Capitalization Issue and the [REDACTED] (assuming that the [REDACTED] is not exercised), our Controlling Shareholders as a group, namely Dr. Wu, Mrs. Wu and the Lakemont 2018 GRAT will be beneficially interested in an aggregate of [REDACTED]% of the issued share capital of our Company.

Dr. Wu and Mrs. Wu, our Controlling Shareholders, are both executive Directors of our Company. For further background of Dr. Wu and Mrs. Wu, see the section headed "Directors and Senior Management" in this Document.

NO COMPETITION UNDERTAKING AND CLEAR DELINEATION OF BUSINESS

Each of our Directors and our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, none of them or any of their respective close associates had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

Our Controlling Shareholders [provided] a Non-Compete Undertaking in favour of us, pursuant to which our Controlling Shareholders undertook not to, and to procure their respective close associate(s) (as appropriate) (other than our Group) not to, either directly or indirectly, compete with our principal business, being biotech and pharmaceutical business ("**Principal Business**") and granted our Group the option for new business opportunities, option for acquisitions, call option and pre-emptive rights. Our Controlling Shareholders have further irrevocably undertaken in the Non-Compete Undertaking that, during the term of the Non-Compete Undertaking, they will not, and will also procure their respective close associate(s) (as appropriate) (other than our Group) not to, alone or with a third party, in any form, directly or indirectly, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete, directly or indirectly, with our Principal Business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our Board will be comprised of two executive Directors, one non-executive Directors and four independent non-executive Directors upon [REDACTED].

On the basis of the following reasons, our Directors consider that our Board is able to perform and manage our business independently from the Controlling Shareholders:

(a) our Board comprises seven Directors and four of them are independent non-executive Directors, which represents more than half of the members of the Board. This is better than the requirements under the Hong Kong Listing Rules. With over half of our Board members are independent non-executive Directors, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;

(b) our Board is supported by an experienced senior management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, business management and research and development on a stand-alone basis;

(c) each Director is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

(e) connected transactions between our Group and our Controlling Shareholders or their respective close associates are subject to the requirements under the Hong Kong Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable).

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from the Controlling Shareholders after [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders and their respective associates after [REDACTED]:

(a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;

(b) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;

(c) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments;

(d) our Directors do not expect that there will be any connected transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after [REDACTED]; and

(e) none of our Controlling Shareholders and their respective associates have any interest which competes or is likely to compete with the business of our Group.

Financial Independence

We have an independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the [REDACTED].

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the [REDACTED].

CORPORATE GOVERNANCE

Other than deviation from Code Provision A.2.1 as disclosed in the section headed "Directors and Senior Management — Board of Directors," our Company will comply with the provisions of the Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a Shareholders meeting is to be held for considering proposed transactions in which the Controlling Shareholders or their associates have a material interest, the Controlling Shareholders shall not vote on the resolutions and shall not be counted in the quorum for the voting;

(b) the Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if the Company enters into connected transactions with the Controlling Shareholders or their associates, the Company will comply with the applicable Hong Kong Listing Rules;

(c) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. Our Independent Non-executive Directors, details of whom are set out in the section headed "Directors and Senior Management" individually and together possess the requisite knowledge and experience. All of our independent non-executive Directors are experienced. They will review whether there is any conflict of interests between the Group and the Controlling Shareholders annually and provide impartial and professional advice to protect the interest of our minority Shareholders;

(d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between the Group and the Controlling Shareholders, the Controlling Shareholders and/or the Company shall provide the independent non-executive Directors with all necessary information and the Company shall disclose the decisions of the independent non-executive Directors (including why business opportunities referred to it by the Controlling Shareholders were not taken up) either in its annual report or by way of announcements;

(e) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company's expenses; and

(f) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders' rights after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, assuming the [REDACTED] is not exercised, the following persons will, immediately following completion of the Capitalization Issue and the [REDACTED], have interests or short positions in Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Dr. Wu[(1)]	beneficial owner	[REDACTED]	[REDACTED]%
	interests of spouse	[REDACTED]	[REDACTED]%
Mrs. Wu[(1)]	interests of spouse	[REDACTED]	[REDACTED]%
	beneficiary of a trust[(2)]	[REDACTED]	[REDACTED]%
JJW11 Limited[(3)]	beneficial owner	[REDACTED]	[REDACTED]%
CBC Investment Twelve Limited[(4)]	beneficial owner	[REDACTED]	[REDACTED]%
CBC Investment Fifteen Limited[(5)]	beneficial owner	[REDACTED]	[REDACTED]%

Notes:

(1) Dr. Wu and Mrs. Wu are spouses, and therefore are deemed to be interested in the Shares held by each other under the SFO.

(2) Mrs. Wu is the manager of Lakemont who exercises the voting rights of the Shares held by the Family Trust and a beneficiary of the Family Trust. For details of the Family Trust, see "History, Reorganization and Corporate Structure — Pre-[REDACTED] Reorganization — Corporate Structure Immediately After the Pre-[REDACTED] Reorganization".

(3) As of the Latest Practicable Date, the only issued one share of JJW11 Limited was held by Dr. Wu on behalf of the participants under the RSU Scheme. Dr. Wu has irrevocably appointed Ms. Heying YANG (楊荷英) ("**Ms. Yang**", being a supervisor of Asceletis BioScience and the sole director of JJW11 Limited) as proxy to exercise all voting rights on such shares in her absolute discretion. Dr. Wu does not enjoy and disclaim any beneficial interest in JJW11 Limited.

(4) Each of CBC Investment Ascletis Limited (as the sole shareholder of CBC Investment Twelve Limited ("**CBC 12**")), CBC Investment Eleven Limited ("**CBC 11**", holding approximately 72.7% equity interest in CBC 12), C-Bridge Healthcare Fund II. L.P. (as the sole shareholder of CBC 11), C-Bridge Healthcare Fund GP II. L.P. (as general partner of C-Bridge Healthcare Fund II. L.P.), C-Bridge Capital GP. Ltd., (as general partner of C-Bridge Healthcare Fund GP II. L.P.), TF Capital, Ltd. (holding approximately 38.3% equity interest in C-Bridge Capital GP. Ltd.), Kang Hua Investment Company Limited (holding approximately 52.2% equity interest in TF Capital, Ltd.), Dan YANG (as the sole shareholder of Kang Hua Investment Company Limited) and Wei Fu (holding approximately 47.8% equity interest in TF Capital, Ltd.) is deemed to be interested in the Shares held by CBC 12 under the SFO.

(4) Each of CBC Investment Seven Limited ("**CBC 7**", as the sole shareholder of CBC 15), C-Bridge Healthcare Fund L.P. (holding approximately 57.1% equity interest in CBC 7), Tasly International Capital Limited ("**Tasly**") (holding approximately 54.8% equity interest in C-Bridge Healthcare Fund L.P.), C-Bridge Healthcare Fund GP, L.P. (as general partner of C-Bridge Healthcare Fund L.P.), C-Bridge Capital GP. Ltd., (as general partner of C-Bridge Healthcare Fund GP L.P.), TF Capital, Ltd. (holding approximately 45% equity interest in C-Bridge Capital GP. Ltd.) and Kang Hua Investment Company Limited (holding approximately 77.8% equity interest in TF Capital, Ltd.), Mr. Dan YANG (as the sole shareholder of Kang Hua Investment Company Limited) is deemed to be interested in the Shares held by CBC 15 under the SFO.

Each of C-Bridge (Hong Kong) Investment Co., Ltd. (as the sole shareholder of Tasly), Tianjin C-Bridge Bioscience Development Co., Ltd. (天津康橋生物科技發展有限公司) (as the sole shareholder of C-Bridge (Hong Kong) Investment Co., Ltd.), Tasly Holding Group Co., Ltd. (天士力控股集團有限公司) (as the sole shareholder of Tianjin C-Bridge Bioscience Development Co., Ltd.), TianJin DiShiLi Investment Holding Group Co., Ltd. (天津帝士力投資控股集團有限公司) (holding approximately 67.1% equity interest in Tasly Holding Group Co., Ltd.), Tianjin Fuhuade Science and Technology Development Co., Ltd. (天津富華德科技開發有限公司) (holding 51% equity interest in TianJin DiShiLi Investment Holding Group Co., Ltd.) and Mr. Kaijing YAN (閆凱境, holding 70% equity interest in TianJin FuHuaDe Science and Technology Development Co., Ltd.) is deemed to be interested in the Shares held by CBC 15 under the SFO.

So far as our Directors are aware, assuming the [REDACTED] is fully exercised, the following persons will, immediately following the completion of the [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Dr. Wu[(1)]	beneficial owner	[REDACTED]	[REDACTED]%
	interests of spouse	[REDACTED]	[REDACTED]%
Mrs. Wu[(1)]	Interests of spouse	[REDACTED]	[REDACTED]%
	beneficiary of trust[(2)]	[REDACTED]	[REDACTED]%
JJW11 Limited[(3)]	beneficial owner	[REDACTED]	[REDACTED]%
CBC Investment Twelve Limited[(4)]	beneficial owner	[REDACTED]	[REDACTED]%
CBC Investment Fifteen Limited[(5)]	beneficial owner	[REDACTED]	[REDACTED]%

Notes:

(1) Dr. Wu and Mrs. Wu are spouses, and therefore are deemed to be interested in the Shares held by each other under the SFO.

(2) Mrs. Wu is the manager of Lakemont who exercises the voting rights of the Shares held by the Family Trust and a beneficiary of the Family Trust. For details of the Family Trust, see "History, Reorganization and Corporate Structure — Pre-[REDACTED] Reorganization — Corporate Structure Immediately After the Pre-[REDACTED] Reorganization".

(3) As of the Latest Practicable Date, the only issued one share of JJW11 Limited was held by Dr. Wu on behalf of the participants under the RSU Scheme. Dr. Wu has irrevocably appointed Ms. YANG (being a supervisor of Ascletis BioScience and the sole director of JJW11 Limited) as proxy to exercise all voting rights on such shares in her absolute discretion. Dr. Wu does not enjoy and disclaim any beneficial interest in JJW11 Limited.

(4) Each of CBC Investment Ascletis Limited (as the sole shareholder of CBC 12), CBC 11 (holding approximately 72.7% equity interest in CBC 12), C-Bridge Healthcare Fund II. L.P. (as the sole shareholder of CBC 11), C-Bridge Healthcare Fund GP II. L.P. (as general partner of C-Bridge Healthcare Fund II. L.P.), C-Bridge Capital GP. Ltd., (as general partner of C-Bridge Healthcare Fund GP II. L.P.), TF Capital, Ltd. (holding approximately 38.3% equity interest in C-Bridge Capital GP. Ltd.), Kang Hua Investment Company Limited (holding approximately 52.2% equity interest in TF Capital, Ltd.), Dan YANG (as the sole shareholder of Kang Hua Investment Company Limited) and Wei Fu (holding approximately 47.8% equity interest in TF Capital, Ltd.) is deemed to be interested in the Shares held by CBC 12 under the SFO.

(5) Each of CBC 7 (as the sole shareholder of CBC 15), C-Bridge Healthcare Fund L.P. (holding approximately 57.1% equity interest in CBC 7), Tasly (holding approximately 54.8% equity interest in C-Bridge Healthcare Fund L.P.), C-Bridge Healthcare Fund GP, L.P. (as general partner of C-Bridge Healthcare Fund L.P.), C-Bridge Capital GP. Ltd. (as general partner of C-Bridge Healthcare Fund GP L.P.), TF Capital, Ltd. (holding approximately 45% equity interest in C-Bridge Capital GP. Ltd.) and Kang Hua Investment Company Limited (holding approximately 77.8% equity interest in TF Capital, Ltd.), Mr. Dan YANG (as the sole shareholder of Kang Hua Investment Company Limited) is deemed to be interested in the Shares held by CBC 15 under the SFO.

Each of C-Bridge (Hong Kong) Investment Co., Ltd. (as the sole shareholder of Tasly), Tianjin C-Bridge Bioscience Development Co., Ltd. (as the sole shareholder of C-Bridge (Hong Kong) Investment Co., Ltd.), Tasly Holding Group Co., Ltd. (as the sole shareholder of Tianjin C-Bridge Bioscience Development Co., Ltd.), TianJin DiShiLi Investment Holding Group Co., Ltd. (holding approximately 67.1% equity interest in Tasly Holding Group Co., Ltd.), Tianjin Fuhuade Science and Technology Co., Ltd. (holding 51% equity interest in TianJin DiShiLi Investment Holding Group Co., Ltd.) and Mr. Kaijing YAN (holding 70% equity interest in TianJin FuHuaDe Science and Technology Development Co., Ltd.) is deemed to be interested in the Shares held by CBC 15 under the SFO.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

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 Capitalization Issue and the [REDACTED] (without taking into account the exercise of the [REDACTED]):

	Nominal Value (US$)
Authorized share capital:	
As of the Latest Practicable Date:	
494,211,301 Shares of US$0.0001 each	49,421.1301
1,020,225 Series A-1 preferred Shares of US$0.0001 each	102.0225
765,163 Series A-2 preferred Shares of US$0.0001 each	76.5163
1,020,225 Series A-3 preferred Shares of US$0.0001 each	102.0225
2,983,086 Series B preferred Shares of US$0.0001 each	298.3086
After completion of Capitalization Issue and [REDACTED]:	
[●] Shares of US$0.0001 each	[●]
Shares in issue as at the date of this Document (assuming the Preferred Shares are converted into Shares)[(1)]:	
22,142,693 Shares of US$0.0001 each	2,214.2693
Shares to be issued pursuant to the Capitalization Issue:	
[REDACTED] Shares of US$0.0001 each	[REDACTED]
[REDACTED] Series A-1 preferred Shares of US$0.0001 each	[REDACTED]
[REDACTED] Series A-2 preferred Shares of US$0.0001 each	[REDACTED]
[REDACTED] Series A-3 preferred Shares of US$0.0001 each	[REDACTED]
[REDACTED] Series B preferred Shares of US$0.0001 each	[REDACTED]
Shares to be issued pursuant to the [REDACTED]:	
[REDACTED] Shares of US$0.0001 each	[REDACTED]
Shares in issue immediately following the Capitalization Issue and the [REDACTED]:	
[REDACTED] Shares of US$0.0001 each	[REDACTED]

Note:

(1) The Preferred Shares will be converted into Shares on a one to one basis by way of re-designation to Shares the [REDACTED].

ASSUMPTIONS

The above table assumes that the Capitalization Issue and the [REDACTED] becomes unconditional and Shares are issued pursuant to the Capitalization Issue and the [REDACTED]. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The [REDACTED] will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this Document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely Shares, and each ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been 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 our Company and Cayman Companies Law — 2. Articles of Association — (a) Shares" in Appendix III to this Document for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalization Issue and the [REDACTED]; and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at 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; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and 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.

See the section headed "Statutory and General Information — A. Further Information about Our Group— 4. Resolutions in Writing of Our Shareholders Passed on [●], 2018" in Appendix IV to this Document for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED].

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [REDACTED] (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 8. Restriction on Share Repurchase".

This general mandate to repurchase Shares will expire at 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; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and 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.

See the section headed "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 8. Restriction on Share Repurchase" in Appendix IV to this Document for further details of the repurchase mandate.

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in "Appendix I — Accountants' Report" to this Document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. We have applied HKFRS 9 and HKFRS 15, which became effective for annual periods beginning on or after January 1, 2018, to our financial statements during the two years ended December 31, 2017 and the three months ended March 31, 2018. For details, see "-- Adoption of HKFRS 9 and HKFRS 15." You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

Ascletis is a fully integrated anti-viral platform focusing on developing and commercializing innovative, best-in-class drugs against HCV, HIV and HBV. We currently have five anti-viral drug development programs, including two HCV drug candidates at or near commercial-stage and one HIV drug candidate that has completed a phase IIa clinical trial. In addition, we have a liver cancer drug candidate that has completed phase I and phase I extension clinical trials. After the two years ended December 31, 2017 and the three months ended March 31, 2018, we commenced sales of Ganovo® on June 27, 2018. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not commercialize any products and therefore did not generate any revenue from sale of products.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that key factors affecting our results of operations, financial position and cash flow include the following:

- *Commercialization of our drug candidates*. In 2016, 2017 and the first quarter of 2018, we had net losses of RMB31.9 million, RMB86.9 million and RMB0.9 million, respectively, since we did not generate revenue from the sale of products during these periods. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018. We have begun to commercialize Ganovo® (danoprevir) in China and have started to generate revenue from product sales. We also expect to commercialize other products, including ravidasvir, over the coming years.

- *Research and development expenses*. In 2017, our research and development expenses increased by RMB51.6 million compared to 2016, and for the three months ended March

31, 2018, our research and development expenses increased by RMB12.2 million compared to the three months ended March 31, 2017, primarily in relation to the increase in clinical trial costs and staff costs incurred to develop our drug candidates such as ravidasvir. Our research and development expenses are affected by the timing and advancement of our existing product pipeline as well as the timing and quantity of new drug programs commenced.

- *Funding for our operations*. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we focused substantially all of our resources on the development of anti-viral drugs, including Ganovo® and ravidasvir. We funded our operations primarily through two rounds of financing with an aggregate amount of US$155 million. Going forward, we expect to fund our operations in part with revenue generated from sale of products. Any changes in our ability to generate revenue from sale of products may have an impact on our cash flow plan.

- *Milestone payments and royalties*. Pursuant to our agreements with in-licensing partners, we have agreed to make in-licensing payments when we reach different milestones during the drug development process. In addition, we have agreed to pay tiered royalties on our future sales of the drugs contemplated under the licensing agreements. See "Business — Exclusive Licensing Arrangements." The timing of these payments and the mix of future products sold (which may be subject to different tiered royalties) will have an effect on our profitability.

- *Cost structure*. During the two years ended December 31, 2017 and the three months ended March 31, 2018, substantially all of our costs were in relation to research and development and office administration. We expect our cost structure to evolve as we develop our business. As we launch Ganovo® and other drugs, we expect to incur additional costs in relation to API and raw materials procurement, manufacturing, commercialization, among other things. Moreover, to support our business growth, we also expect to expand our headcount, particularly for our research and development team and commercialization team, and incur higher staff costs as a result.

BASIS OF PRESENTATION

The Company is a limited liability company incorporated in the Cayman Islands on February 25, 2014. In anticipation of the [REDACTED], we underwent a series of steps in our Pre-[REDACTED] Reorganization. For details, see "History, Reorganization and the Corporate Structure." Our consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. The consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss which have been measured at fair value. Our consolidated financial statements include the financial results of the subsidiaries now comprising our Group from since the date when our Company obtains control.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our significant accounting policies, judgements and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in details in Notes 2.3 and 3 to the Accountants' Report in Appendix I. Critical accounting judgements and estimates are those that are most important to the portrayal of our financial conditions and results of operations and require our management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, the assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities during the two years ended December 31, 2017 and the three months ended March 31, 2018, could as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue Recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in exchange for goods or services transferred to licensing partner or collaboration partner. We recognize revenue when we transfer control over a product or service to the counterparty.

Collaboration Revenue

We enter into collaboration agreements for research, development, manufacturing and commercialization services. The terms of these arrangements typically include payments to us of one or more of the following: non-refundable upfront fees, milestone payments for development and regulatory application and royalties on net sales of licensed products. Milestone payment is variable consideration which is constrained until it is probable that the revenue is not at a significant risk of reversal in a future period when the uncertainty resolved. The contracts into which we enter generally do not include significant financing components.

As part of the accounting for these arrangements, we must use significant judgement to determine: (i) the performance obligations; (ii) the transaction price; and (iii) the timing of revenue recognition, including the appropriate measure of progress.

At contract inception, we assess the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct.

We use judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which we recognize revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to our efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, we generally allocate that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

We recognize revenue only when we satisfy a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

- The counterparty simultaneously receives and consumes the benefits provided by our performance as we perform.

- Our performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.

- Our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. We adopt an appropriate method of measuring progress for purposes of recognizing revenue. We evaluate the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone Payments

At the inception of each arrangement that includes milestone payments, we evaluate whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within our control, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. We evaluate factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, we reevaluate the probability of achievement of all milestones subject to constraint and, if necessary, adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment. During the two years ended December 31, 2017 and the three months ended March 31, 2018, milestone payments were recognized as revenue when the performance obligation was satisfied over time.

Licenses of intellectual property

In assessing whether a license is distinct from the other promises, we consider factors such as the research, development, manufacturing and commercialization capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, we consider whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s). For licenses that are combined with other promises, we utilise judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognising revenue.

Upfront fees

Upfront payment is initially deferred since no goods or services have yet been provided. We determine that the upfront payment constitutes the entirety of the consideration to be included in the transaction price as of the outset of the collaboration agreement and to be allocated to the performance obligations based on our best estimate of their relative stand-alone selling prices. The upfront payment is recognised as revenue when the performance obligation is satisfied over time or at a point in time. During the two years ended December 31, 2017 and the three months ended March 31, 2018, the upfront payment was recognised as revenue when the performance obligation was satisfied over time.

Royalties

A sales-based royalty promised in exchange for a license of intellectual property is recognized as revenue only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

We present a contract liability or a contract asset in our consolidated statement of financial position when either party to the contract has performed. We perform by transferring goods or services to the collaboration partner, and the collaboration partner performs by paying consideration to us.

Any unconditional rights to consideration are presented separately as trade receivables.

Contract liabilities are obligations to transfer goods or services to counterparty for which we have received consideration, or for which an amount of consideration is due from the counterparty.

Contract assets are rights to consideration in exchange for goods or services that we have transferred to a counterparty when that right is conditional on something other than the passage of time.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established.

Recognition of Collaboration Revenue

In determining the appropriate amount of revenue to be recognized as our Group fulfills its obligations under each of its collaboration agreements, our Group must use judgement to determine: (a) whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (b) measurement of the transaction price, including the constraint on variable consideration; and (c) recognition of revenue when (or as) our Group satisfies each performance obligation.

At the inception of each arrangement that includes development milestone payments, our Group determines that each of its collaboration agreements is one single performance obligation. Our Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of our Group, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. At the end of each of the two years ended December 31, 2017 and the three months ended March 31, 2018, our Group reevaluates the probability of achievement of such development milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Our Group determines that the identified performance obligations from each of its collaboration agreements are satisfied over time and revenue is recognized over time. Our Group evaluates the measure of progress at the end of each of the two years ended December 31, 2017 and the three months ended March 31, 2018 and, if necessary, adjusts the measure of performance and related revenue recognition.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	3-5 years
Intellectual property	10-15 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized 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, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Useful Lives of Intangible Assets

Our Group's finite life intangible assets primarily represent patents transferred from third parties. These intangible assets are amortized on a straight-line basis over their useful economic lives, which are estimated to be the patent life. If our Group's estimate of the duration of sale of product is shorter than the patent life, then the shorter period is used. Additional amortization is recognized if the estimated useful lives of patents are different from the previous estimation. Useful lives are reviewed at each financial year end date based on changes in circumstances.

Useful Lives and Residual Values of Property, Plant and Equipment

In determining the useful lives and residual values of items of property, plant and equipment, our Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of our Group with similar assets that are used in a similar way.

Additional depreciation is recognized if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Financial Assets Measured at Amortized Cost

A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. We include in this category short-term non-financing receivables including other receivables. Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statement of profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value measurement

Our Group measures its financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

ADOPTION OF HKFRS 9 AND HKFRS 15

Effective for annual periods beginning on or after January 1, 2018, HKFRS 9 "Financial Instruments" replaced the previous standard HKAS 39 "Financial Instruments" and HKFRS 15 "Revenue from contracts with customers" replaced the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. We have applied HKFRS 9 and HKFRS 15 to our financial statements beginning January 1, 2018, and have consistently applied HKFRS 9 and HKFRS 15 to our financial statements in 2016 and 2017. The impact of the adoption of HKFRS 9 on our financial statements in 2016 and 2017 is as follows:

- *Classification and measurement of financial assets*. The classification and measurement of financial assets under HKFRS 9 depend on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. Our available-for-sale investments of RMB5.6 million and RMB143.8 million as of December 31, 2016 and 2017, respectively, that were measured at fair value under HKAS 39 do not pass the contractual cash flow characteristics test in HKFRS 9 and are re-classified as financial assets at fair value through profit or loss. Gains and losses recognized in other comprehensive income for the available-for-sale investments under HKAS 39 are now presented in profit or loss, resulting in an increase in other income and gains of nil and RMB0.8 million for the years ended December 31, 2016 and 2017, respectively.

The impact of the adoption of HKFRS 15 on our financial statements in 2016 and 2017 is as follows:

- *Accounting for milestone payments*. Under HKAS 18 and HKAS 11, we recognized collaboration revenue when the related inflow can be assessed as being probable. Milestone payments are considered earned and receivable when the relevant development work has been completed, indicating the achievement of a milestone event. Under HKFRS 15, we must use judgement to determine the performance obligations, the transaction price and the timing of revenue recognition, including the appropriate measure of progress. Upon adoption of HKFRS 15, collaboration revenue is recognized over time, using an appropriate method to measure progress towards complete satisfaction of the service, because the counterparty simultaneously receives and consumes the benefits provided by us. This results in a decrease in revenue of RMB26.4 million for the year ended December 31, 2016 and an increase in revenue of RMB44.2 million for the year ended December 31, 2017.

- *Presentation of contract liabilities in the consolidated statement of financial position*. Under HKFRS 15, we recognize performance obligations that we have not yet satisfied but for which we have received consideration as contract liabilities. By applying HKFRS 15, as of December 31, 2016 and 2017, we recognize contract liabilities for the RMB94.2 million and RMB41.0 million.

Taking into account the impact disclosed above, we consider that the adoption of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance during the two years ended December 31, 2017 and the three months ended March 31, 2018.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Revenue	32,976	100.0	53,202	100.0	13,301	100.0	51,062	100.0
Cost of sales	—	—	—	—	—	—	—	—
Gross profit	32,976	100.0	53,202	100.0	13,301	100.0	51,062	100.0
Other income and gains	14,496	44.0	49,593	93.2	4,090	30.7	6,437	12.6
Research and development costs	(62,689)	(190.1)	(114,325)	(214.9)	(10,572)	(79.5)	(22,815)	(44.7)
Administrative expense	(15,044)	(45.6)	(37,477)	(70.4)	(3,015)	(22.7)	(15,717)	(30.8)
Other expenses	(1,612)	(4.9)	(31,434)	(59.1)	(144)	(1.1)	(19,950)	(39.1)
Profit/(loss) before tax	(31,873)	(96.7)	(80,441)	(151.2)	3,660	27.5	(983)	(1.9)
Income tax credit/(expense)	—	—	(6,490)	(12.2)	(6,595)	(49.6)	125	0.2
Loss for the year/period	(31,873)	(96.7)	(86,931)	(163.4)	(2,935)	(22.1)	(858)	(1.7)

Revenue

During the two years ended December 31, 2017 and the three months ended March 31, 2018, we had not commercialized any products and therefore did not generate any revenue from product sales. The revenue represents the milestone and upfront payments in relation to our in-licensing arrangement being recognized over the performance of our obligations. We recognized revenue of RMB33.0 million, RMB53.2 million, RMB13.3 million and RMB51.1 million, respectively, in 2016, 2017 and the three months ended March 31, 2017 and 2018, all of which were from milestone and upfront payments paid by Roche to us in relation to our in-licensing arrangement on Ganovo®. For further details, please refer to "Business — Exclusive Licensing Arrangements — Exclusive Licensing of Danoprevir from Roche." The RMB33.0 million and RMB53.2 million revenue we recognized in 2016 and 2017, respectively, mainly consisted of the recognition of upfront and milestone payments we received from Roche from 2014 to 2016 in relation to our in-licensing arrangement on Ganovo® (danoprevir) that were amortized to 2016 and 2017. The RMB51.1 million revenue we recognized in the first quarter of 2018 mainly consisted of the recognition of upfront and milestone payments we received from Roche from 2014 to 2018 in relation to our in-licensing arrangement on Ganovo® (danoprevir) that were amortized to the first quarter of 2018.

The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have begun to commercialize Ganovo® (danoprevir) in China. In addition, we plan to file an NDA for ravidasvir in the third quarter of 2018. We expect our revenue for the next few years to be generated mainly from our sales of Ganovo® and ravidasvir. In March 2018, we received milestone payments in the amount of US$3.0 million from Roche in respect of our exclusive licensing arrangement. As of the Latest Practicable Date, we have achieved the milestones to receive the remaining milestone payments of up to US$4.5 million from such in-licensing partner.

Cost of Sales

As we did not generate any revenue from product sales during the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not incur any cost of sales.

Gross Profit

For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our gross profit amounted to RMB33.0 million, RMB53.2 million, RMB13.3 million and RMB51.1 million, respectively.

Other Income and Gains

For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, we had other income and gains of RMB14.5 million, RMB49.6 million, RMB4.1 million and RMB6.4 million, respectively. In 2016, other income and gains mainly consisted of: (i) government grants; and (ii) foreign exchange gain mainly arising from translation of the U.S. dollar dominated-cash portion of our round two financing into Renminbi due to the appreciation of U.S. dollar against Renminbi. In 2017 and the first quarter of 2018, other income and gains primarily consisted of (i) government grants; (ii) bank interest income arising from our bank deposits; and (iii) dividend income earned on financial assets at fair value through profit or loss which were the wealth management products we purchased. For details of the wealth management products we procured, see "— Description of Certain Consolidated Statements of Financial Position Items — Financial Assets at Fair Value Through Profit or Loss." During the two years ended December 31, 2017 and the three months ended March 31, 2018, our government grants were one-off government subsidies granted in support of our business.

The following table sets forth the components of other income and gains for the period indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Government grants[(1)]	2,007	13.8	31,413	63.3	—	—	1,800	28.0
Bank interest income	85	0.6	10,207	20.6	2,114	51.7	3,091	48.0
Dividend income from financial assets at fair value through profit or loss	99	0.7	7,065	14.2	443	10.8	1,459	22.7
Changes in fair value of financial assets at fair value through profit or loss	—	—	831	1.7	1,533	37.5	83	1.2
Interest income from loan to a related party	—	—	69	0.1	—	—	—	—
Foreign exchange gain, net	12,256	84.6	—	—	—	—	—	—
Others	49	0.3	8	0.1	—	—	4	0.1
Total	**14,496**	**100.0**	**49,593**	**100.0**	**4,090**	**100.0**	**6,437**	**100.0**

Note:

(1) Government grants mainly represent subsidies received from local governments for the purpose of compensation for expenses arising from research activities and clinical trial, award for new drugs development and capital expenditure incurred on certain projects.

Research and Development Costs

Our research and development costs primarily consist of third-party contracting costs, clinical trial expenses and staff costs. For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, we recorded research and development costs of RMB62.7 million, RMB114.3 million, RMB10.6 million and RMB22.8 million, respectively, for our drug candidates. The following table sets forth the components of our research and development costs by nature for the period indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Clinical trial expenses	30,330	48.4	48,650	42.6	473	4.5	4,021	17.6
Staff costs[(1)]	11,254	17.9	36,403	31.8	4,651	44.0	10,644	46.7
Third-party contracting costs	15,487	24.7	16,595	14.5	3,593	34.0	5,290	23.2
Depreciation and amortization	2,226	3.6	4,870	4.3	875	8.3	1,352	5.9
Others	3,392	5.4	7,807	6.8	980	9.2	1,508	6.6
Total	**62,689**	**100.0**	**114,325**	**100.0**	**10,572**	**100.0**	**22,815**	**100.0**

Note:

(1) "Staff costs" includes salary and welfare expenses of most of our commercialization team members prior to product commercialization.

The following table sets forth the components of our research and development costs by product pipeline for the period indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Ravidasvir	32,331	51.6	83,049	72.7	7,861	74.3	21,140	92.7
Danoprevir	27,502	43.9	23,745	20.8	2,661	25.2	1,376	6.0
ASC09	—	—	159	0.1	1	0.1	—	0.0
Others	2,856	4.5	7,372	6.4	49	0.4	299	1.3
Total	**62,689**	**100.0**	**114,325**	**100.0**	**10,572**	**100.0**	**22,815**	**100.0**

Administrative Expenses

Our administrative expenses primarily comprise staff salary and welfare costs for non-research and development personnel, utilities, rent and general office expenses and agency and consulting fees. For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, we recorded administrative expenses of RMB15.0 million, RMB37.5 million, RMB3.0 million and RMB15.7 million, respectively. The following table sets forth the components of our administrative expenses for the period indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Staff salary and welfare	6,333	42.1	14,862	39.7	1,620	53.7	4,423	28.1
Utilities, rent and general office expenses	4,934	32.8	15,095	40.3	1,096	36.4	3,567	22.7
Agency and consulting fee	1,914	12.7	6,349	16.9	51	1.7	224	1.4
Others	1,863	12.4	1,171	3.1	248	8.2	705	4.5
Listing expenses	—	—	—	—	—	—	6,798	43.3
Total	**15,044**	**100.0**	**37,477**	**100.0**	**3,015**	**100.0**	**15,717**	**100.0**

Other Expenses

Other expenses primarily include exchange loss and donations to the Chinese Foundation for Hepatitis Prevention and Control (中國肝炎防治基金會). Foreign exchange loss primarily related to our round two financing in 2017, which was in U.S. dollar, and resulted from a depreciation of the U.S. dollar against the Renminbi. For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, we recorded other expenses of RMB1.6 million, RMB31.4 million, RMB0.1 million and RMB20.0 million, respectively. The following table sets forth the components of other expenses for the period indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Foreign exchange loss, net	—	—	31,048	98.8	144	100.0	19,573	98.1
Donation	1,550	96.2	296	0.9	—	—	344	1.7
Others	62	3.8	90	0.3	—	—	33	0.2
Total	**1,612**	**100**	**31,434**	**100**	**144**	**100.0**	**19,950**	**100.0**

Income Tax Expenses

For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017, we recorded income tax expense of nil, RMB6.5 million and RMB6.6 million, respectively, representing current income tax. For the three months ended March 31, 2018, we had income tax credit of RMB0.1 million. We recorded loss before tax of RMB31.9 million, RMB80.4 million and RMB1.0 million for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, respectively, and profit before tax of RMB3.7 million for the three months ended March 31, 2017. We also have tax losses arising in the PRC of RMB83.5 million, RMB238.0 million and RMB289.5 million as of December 31, 2016 and 2017 and March 31, 2018, respectively, which are expected to expire in one to five years for offsetting against future taxable profits.

During the two years ended December 31, 2017 and the three months ended March 31, 2018, we were not subject to any income tax in the Cayman Islands and BVI. Our subsidiaries located in the PRC, were generally subject to the statutory enterprise income tax at a rate of 25% on the assessable profits according to the PRC Enterprise Income Tax Law. As our PRC subsidiaries, Ascletis BioScience and Ascletis Pharmaceuticals, were accredited as High and New Technology Enterprises for a three-year period commencing from 2016 and 2017, respectively, our PRC subsidiaries enjoyed a lower tax rate of 15% during the same period.

Our Directors confirm that during the two years ended December 31, 2017 and the three months ended March 31, 2018, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

RESULTS OF OPERATIONS

Three Months ended March 31, 2018 Compared to Three Months ended March 31, 2017

Revenue

Our revenue increased significantly from RMB13.3 million for the three months ended March 31, 2017 to RMB51.1 million for the three months ended March 31, 2018, because in the first quarter of 2018, we received a US$3.0 million milestone payment (equivalent to approximately RMB19.1 million at then applicable exchange rates) from Roche and recognized contractual revenue of RMB18.7 million.

Cost of Sales

We did not have any cost of sales for the three months ended March 31, 2017 and 2018.

Gross Profit

As we did not record any cost of sales for the three months ended March 31, 2017 and 2018, our gross profit increased significantly from RMB13.3 million for the three months ended March 31, 2017 to RMB51.1 million for the three months ended March 31, 2018.

Other Income and Gains

Our other income and gains increased by 57.4% from RMB4.1 million for the three months ended March 31, 2017 to RMB6.4 million for the three months ended March 31, 2018, primarily because: (i) we recorded RMB1.8 million in government grants for the three months ended March 31, 2018 and nil for the three months ended March 31, 2017; and (ii) our dividend income from our wealth management products increased from RMB0.4 million for the three months ended March 31, 2017 to RMB1.5 million for the three months ended March 31, 2018, partially offset by the decrease in our changes in fair value of our wealth management products which are measured at fair value of RMB1.5 million.

Research and Development Costs

Our research and development costs increased by 115.8% from RMB10.6 million for the three months ended March 31, 2017 to RMB22.8 million for the three months ended March 31, 2018, primarily because our increased research and development costs on ravidasvir of RMB13.3 million as a result of the phase II/III clinical trial of ravidasvir we initiated in 2017.

Administrative Expenses

Our administrative expenses increased significantly from RMB3.0 million for the three months ended March 31, 2017 to RMB15.7 million for the three months ended March 31, 2018, primarily because of (i) an increase in [REDACTED] expenses of RMB6.8 million; and (ii) an increase in staff salary and welfare of RMB2.8 million as a result of the expansion of our commercialization team.

Other Expenses

Our other expenses increased significantly from RMB0.1 million for the three months ended March 31, 2017 to RMB20.0 million for the three months ended March 31, 2018, primarily due to an increase in foreign exchange loss of RMB19.4 million in the first quarter of 2018 as a result of depreciation of U.S. dollar against Renminbi.

Profit/(Loss) Before Tax

For the reasons described above, we had profit before tax of RMB3.7 million for the three months ended March 31, 2017 and loss before tax of RMB1.0 million for the three months ended March 31, 2018.

Income Tax Credit/(Expense)

Our income tax expense was RMB6.6 million for the three months ended March 31, 2017 and our income tax credit was RMB0.1 million for the three months ended March 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased from RMB33.0 million for the year ended December 31, 2016 to RMB53.2 million for the year ended December 31, 2017, as we reached milestones under the licensing agreement with Roche on Ganovo® (danoprevir) in 2016 that were recognized over time into our 2017 revenue.

Cost of Sales

We did not record any cost of sales in 2016 and 2017.

Gross Profit

Our gross profit increased from RMB33.0 million for the year ended December 31, 2016 and RMB53.2 million for the year ended December 31, 2017.

Other Income and Gains

Our other income and gains increased significantly from RMB14.5 million for the year ended December 31, 2016 to RMB49.6 million for the year ended December 31, 2017, primarily because (i) we had an increase of RMB29.4 million in one-off government grants received to support our business; (ii) we recorded an increase of RMB10.1 million in bank interest income attributable to our increased time deposits in banks; and (iii) we recorded dividend income of RMB7.1 million earned on financial assets at fair value through profit or loss, which were the wealth management products we purchased. The increase was partially offset by a decrease of RMB12.3 million in exchange gain.

Research and Development Costs

Our research and development costs increased by 82.4% from RMB62.7 million for the year ended December 31, 2016 to RMB114.3 million for the year ended December 31, 2017, primarily because our increased research and development costs on ravidasvir of RMB50.7 million as we initiated phase II/III clinical trial of ravidasvir in 2017.

Administrative Expenses

Our administrative expenses increased significantly from RMB15.0 million for the year ended December 31, 2016 to RMB37.5 million for the year ended December 31, 2017, primarily due to: (i) our increased utilities, rent and general office expenses of RMB10.2 million; and (ii) our increased staff salary and welfare of RMB8.5 million, mainly as a result of the continuing expansion of our business.

Other Expenses

Our other expenses increased significantly from RMB1.6 million for the year ended December 31, 2016 to RMB31.4 million for the year ended December 31, 2017, primarily due to a RMB31.0 million increase in exchange loss due to depreciation of U.S. dollar against Renminbi.

Loss Before Tax

For the reasons described above, our loss before tax increased significantly from RMB31.9 million for the year ended December 31, 2016 to RMB80.4 million for the year ended December 31, 2017.

Income Tax Expense

We did not incur income tax expense for the year ended December 31, 2016. Our income tax expense amounted to RMB6.5 million for the year ended December 31, 3017, mainly representing withholding tax on capital gains paid by PowerTree as a result of its sale of equity interest in Ascletis BioScience to CBC12 as part of our round two financing. PowerTree subsequently became part of our Group as a result of the Pre-[REDACTED] Reorganization. See "History, Reorganization and Corporate Structure."

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statements of financial position as of the date indicated.

	As of December 31,		As of March 31,	As of May 31,
	2016	**2017**	**2018**	**2018**
	RMB'000			
				(unaudited)
Current assets				
Inventories	18,747	62,211	69,188	71,554
Prepayments, deposits and other receivables	22,678	58,101	56,012	68,224
Financial assets at fair value through profit or loss	5,610	143,831	122,414	84,127
Pledged time deposits	—	4,108	—	—
Cash and cash equivalents	418,973	607,367	526,022	526,877
Total current assets	**466,008**	**875,618**	**773,636**	**750,782**

	As of December 31,		As of March 31,	As of May 31,
	2016	2017	2018	2018
	RMB'000			
				(unaudited)
Current liabilities				
Trade and bills payables	—	12,967	1,657	5,331
Other payables and accruals	17,197	35,305	47,249	42,196
Deferred income	3,000	10,000	10,000	10,000
Contract liabilities	53,232	40,956	8,993	2,998
Total current liabilities	**73,399**	**99,228**	**67,899**	**60,525**
Net current assets	**392,609**	**776,390**	**705,737**	**690,257**

Our net current assets increased significantly from RMB392.6 million as of December 31, 2016 to RMB776.4 million as of December 31, 2017, primarily due to (i) an increase in cash and cash equivalents of RMB188.4 million; (ii) an increase in our financial assets at fair value through profit or loss of RMB138.2 million, primarily reflecting our purchase of wealth management products issued by commercial banks in the PRC with a maturity period within six months; (iii) an increase in our inventories of RMB43.5 million because we increased our purchase volume of raw materials for danoprevir in anticipation of its upcoming commercialization; and (iv) an increase in prepayments, deposits and other receivables of RMB35.4 million.

Our net current assets decreased by 9.1% from RMB776.4 million as of December 31, 2017 to RMB705.7 million as of March 31, 2018, primarily due to a decrease in our cash and cash equivalents of RMB81.3 million primarily as a result of dividends we declared in February 2018 and paid from February to March 2018.

Our net current assets decreased by 2.2% from RMB705.7 million as of March 31, 2018 to RMB690.3 million as of May 31, 2018, primarily due to a decrease in our financial assets at fair value through profit or loss to RMB84.1 million as certain of our wealth management products became due and such proceeds were used in our business operation. The wealth management products we held as of May 31, 2018 became due in June. The decrease in our net current assets is partially offset by an increase in prepayments, deposits and other receivables of RMB12.2 million reflecting advances made for the increased purchase of raw materials in anticipation of the commercialization of Ganovo®.

Contract Liabilities

Our contract liabilities represent unrecognized milestone and upfront payments in relation to our in-licensing arrangement, where there is still an implied obligation to be provided by us over time. Our contract liabilities amounted to RMB94.2 million, RMB41.0 million and RMB9.0 million as of December 31, 2016, 2017 and March 31, 2018, respectively.

Inventories

Our inventories consist of raw materials used in the manufacturing of danoprevir. The following table sets forth the components of our inventory balance as of the date indicated.

	As of December 31,		As of March 31,
	2016	2017	2018
		RMB'000	
Raw materials	18,747	62,211	69,188

Our inventories increased significantly from RMB18.7 million as of December 31, 2016 to RMB62.2 million as of December 31, 2017, primarily due to the increased volume of our purchase of raw materials for Ganovo® in anticipation of its upcoming commercialization. Our inventories increased by 11.2% from RMB62.2 million as of December 31, 2017 to RMB69.2 million as of March 31, 2018 as we continued to increase our inventory of raw materials for Ganovo® in anticipation of its commercialization. As of May 31, 2018, RMB0.3 million of our inventories as of March 31, 2018 had been subsequently consumed.

Trade Receivables

We had nil trade receivables as of December 31, 2016 and 2017 and March 31, 2018.

Prepayments, Deposits and Other Receivables

The following table sets forth the components of our prepayments, deposits and other receivables as of the date indicated.

	As of December 31,		As of March 31,
	2016	2017	2018
		RMB'000	
Value-added tax recoverable	11,723	24,999	27,130
Prepayments	3,189	21,056	16,046
Interests receivable	—	4,635	6,177
Other receivables	1,631	4,078	423
Prepaid expenses	1,795	1,970	2,607
Deferred listing expenses	—	—	2,266
Prepaid income tax	—	1,363	1,363
Due from a related party	4,340	—	—
Total	**22,678**	**58,101**	**56,102**

Our value-added tax recoverable represented value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables. Our value-added tax recoverable increased from RMB11.7 million as of December 31, 2016 to RMB25.0 million as of December 31, 2017, which was in line with our increased purchases of raw materials. Our value-added tax recoverable remained relatively stable at RMB27.1 million as of March 31, 2018.

Our prepayments represented prepayments relating to our purchase of raw materials. Our prepayments increased significantly from RMB3.2 million as of December 31, 2016 to RMB21.1 million as of December 31, 2017, primarily reflecting the increase in our purchase of raw materials. Our prepayments decreased by 24.2% from RMB21.1 million as of December 31, 2017 to RMB16.0 million as of March 31, 2018, primarily because we received the receipts for certain batches of raw materials we purchased in 2017.

We had RMB4.6 million and RMB6.2 million interest receivable as of December 31, 2017 and March 31, 2018, which represented the expected interest to be received on our U.S. dollar time deposits.

Our other receivables mainly included advance payment we made on behalf of an in-licensing partner in relation to our pre-clinical studies of ravidasvir. Our other receivables amounted to RMB1.6 million, RMB4.1 million and RMB0.4 million, as of December 31, 2016 and 2017 and March 31, 2018, respectively.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss represented our investments in wealth management products issued by commercial banks in the PRC. Such wealth management products had expected interest rates ranging from 0.35% to 5.05% per year and maturity periods within six months. Our financial assets at fair value through profit or loss amounted to RMB5.6 million, RMB143.8 million and RMB122.4 million, as of December 31, 2016 and 2017 and March 31, 2018, respectively.

We invested in such wealth management products during the two years ended December 31, 2017 and the three months ended March 31, 2018 because we believe that we can make better use of cash to enhance our income without interfering with our business operation or capital expenditures. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to duration of investment and the expected returns. A majority of our investment on wealth management products are limited to low-risk products issued by banks.

Our finance department is responsible for managing our investment activities. Investment decisions of our finance department are subject to review and approval of our vice president of operations and chief executive officer. Our finance department assesses our cash flow, operational needs and capital expenditure as well as the targeted products' risk profile before making a proposal to invest in investment products. If our cash flow exceeds operational needs and appropriate short-term investment opportunities are available, our finance department will submit the investment proposal to our vice president of operations for review and our chief executive officer for approval.

We believe that our internal control policies regarding investment in financial assets and risk management mechanism are adequate. The investments in wealth management products we held as of May 31, 2018 became due in June 2018 and we do not plan to invest in wealth management products in the future.

Cash and Cash Equivalents and Pledged Time Deposits

The following table sets forth the components of our cash and cash equivalents and pledged time deposits as of the date indicated.

	As of December 31,		As of March 31,
	2016	**2017**	**2018**
		RMB'000	
Cash and bank balances	418,973	106,521	81,768
Time deposits	—	504,954	444,254
Total	**418,973**	**611,475**	**526,022**
Less:			
Pledged time deposits for bills payable	—	(4,108)	—
Cash and cash equivalents	**418,973**	**607,367**	**526,022**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods between one day and twelve months depending on our immediate cash requirements, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

Trade and Bills Payables

Our trade and bills payables mainly included payments to be paid to raw material suppliers. The following table sets forth the components of our trade and bills payables as of the dates indicated:

	As of December 31,		As of March 31,
	2016	**2017**	**2018**
		RMB'000	
Trade payables	—	8,859	1,657
Bills payable	—	4,108	—
Total	**—**	**12,967**	**1,657**

The following table sets forth the ageing analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		As of March 31,
	2016	**2017**	**2018**
		RMB'000	
Within one month	—	8,837	1,657
One to three months	—	—	—
Three to six months	—	4,130	—
Total	**—**	**12,967**	**1,657**

Our trade and bills payables increased significantly from nil as of December 31, 2016 to RMB13.0 million as of December 31, 2017, mainly as a result of our increased payables to raw material suppliers, which were in line with our drug development progress. Our trade and bills payables decreased by 87.2% from RMB13.0 million as of December 31, 2017 to RMB1.7 million as of March 31, 2018, mainly because we settled payments with suppliers. Our bills payable of RMB4.1 million was settled in January 2018. As of May 31, 2018, nil of our trade and bills payables as of March 31, 2018 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consisted of other payables in relation to our purchase of manufacturing equipment and payroll payables to our staff. The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of December 31,		As of March 31,
	2016	**2017**	**2018**
		RMB'000	
Other payables	12,177	24,848	24,302
Payroll payable	4,145	9,428	4,705
Taxes other than income tax	285	1	3
Interest payable	317	—	—
Accrued expenses	173	1,028	8,856
Due to a Director	100	—	—
Due to related parties	—	—	9,383
Total	**17,197**	**35,305**	**47,249**

Our other payables and accruals increased significantly from RMB17.2 million as of December 31, 2016 to RMB35.3 million as of December 31, 2017, mainly due to the increase in other payables relating to purchased manufacturing equipment, and payroll payable as our headcount expanded in line with our overall business expansion. Our other payables and accruals increased by 33.7% from RMB35.3 million as of December 31, 2017 to RMB47.2 million as of March 31, 2018, mainly as a result of (i) a RMB9.4 million increase in amount due to related parties in relation to the Pre-[REDACTED] Reorganization, and (ii) a RMB7.8 million increase in accrued expenses in relation to the Listing, partially offset by a RMB4.7 million decrease in payroll payable mainly as we made certain staff bonus payments. The amount due to a Director of RMB100,000 as of December 31, 2016 was settled in 2017.

Deferred Income

Our deferred income represents government grants we have received but have yet to meet the conditions of grant as of the relevant dates. The following table sets forth the components of our deferred income as of the dates indicated:

	As of December 31,		As of March 31,
	2016	2017	2018
		RMB'000	
Government grants			
Current	3,000	10,000	10,000
Non-current	12,824	22,070	22,070
	15,824	32,070	32,070

Intangible Assets

We had intangible assets of RMB20.4 million, RMB36.5 million and RMB34.9 million as of December 31, 2016 and 2017 and March 31, 2018, respectively. Our intangible assets primarily represent a patent that was transferred from Presidio to us in relation to the Presidio Licensing Agreement under which we made upfront and/or milestone payments to Presidio. To a lesser extent, our intangible assets also include patent rights licensed to us from Medivir in relation to the Medivir Licensing Agreement under which we made an upfront payment to Medivir. The useful economic lives of these intangible assets are 10 to 15 years, which we consider to be reasonable considering that the duration of the patent right is shorter than the anticipated duration of sales of product. The amortisation of intangible assets begins on the transfer date of patent because it is the date from which the intangible assets are available for use by us.

We did not recognise any impairment loss despite the losses we incurred throughout the two years ended December 31, 2017 and the three months ended March 31, 2018 because our intangible assets primarily represent a patent transferred to us from Presidio, which related to the development, manufacture and commercialization of ravidasvir in Greater China. We have completed a phase II/III clinical trial for ravidasvir and we plan to file NDA in the third quarter of 2018. Therefore, we did not foresee any indicators of impairment for intangible assets.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our research and development, clinical trials, purchase of equipment and raw materials and other recurring expenses. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we primarily funded our working capital requirement through capital injections from Shareholders. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet our working capital needs.

Going forward, we believe our liquidity requirements will be mainly satisfied by using funds from a combination of our cash and cash equivalents as well as net [REDACTED] from the [REDACTED]. Our cash and cash equivalents and pledged time deposits consisted of deposits with banks and cash on hand, which amounted to RMB526.9 million as of May 31, 2018. Other than the bank borrowings that we may obtain, we currently do not have any plans for material external debt financing. Taking these into account, our Directors believe that we have sufficient working capital to cover at least 125% of our costs, including general, administrative and operating costs as well as research and development costs, for at least 12 months from the date of publication of this Document. Based on the written confirmation from the Company in respect of working capital sufficiency, the review of Accountant's reports and discussion with the Directors, taking into account the working capital statement and memorandum on working capital forecast as well as the Company's cash and cash equivalents and net [REDACTED] from the [REDACTED], the Joint Sponsors concur with the Directors' view.

Cash Operating Costs

The following table sets forth key information relating to our cash operating costs for the period indicated.

	For the year ended December 31,		For the three months ended March 31,
	2016	2017	2018
		RMB'000	
Research and Development Costs of Our Core Products:			
Clinical trial expenses	29,338	43,227	1,697
Staff costs	11,254	35,963	10,421
Third-party contracting costs	13,874	15,187	5,290
Depreciation and amortization	2,226	4,841	1,316
Others	3,392	7,734	3,792
Total:			
Research and development	62,689	114,325	22,815
Workforce employment[(1)]	17,587	51,265	15,067
Direct production[(2)]	—	—	—
Commercialization[(2)]	—	—	—
Contingency allowance	—	—	—

(1) Workforce employment costs represent total staff costs.

(2) After the two years ended December 31, 2017 and the three months ended March 31, 2018, we commenced sales of Ganovo® on June 27, 2018. During the two years ended December 31, 2017 and the three months ended March 31, 2018, we did not commercialize any products.

In addition, in 2017, we paid an in-licensing partner US$3 million as partial consideration for the acquisition of the underlying intellectual property rights of a Core Product, which amount was reflected in cash flows used in investing activities. For more information about our research and development costs, clinical trial expenses and workforce employment costs, see "— Description of Certain Consolidated Statements of Profit or Loss."

Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows as of the date and for the period indicated.

	For the year ended December 31,		For the three months ended March 31,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash flows used in operating activities	(12,498)	(198,056)	(33,349)	(45,741)
Net cash flows from/(used in) investing activities	(37,633)	(644,542)	(756,880)	170,526
Net cash flows from/(used in) financing activities	88,159	549,362	549,362	(57,815)
Net increase/(decrease) in cash and cash equivalents	38,028	(293,236)	(240,867)	66,970
Cash and cash equivalents at the beginning of the year/period	372,398	418,973	418,973	123,697
Effect of foreign exchange rate changes, net	8,547	(2,040)	1,289	(2,002)
Cash and cash equivalents at the end of the year/period	418,973	123,697	179,395	188,665

Operating Activities

Our cash inflows from operating activities mainly consisted of milestone payments from a licensing partner, government grants and bank interests. Our cash outflow from operating activities mainly consisted of research and development costs, administrative expenses and income tax expenses.

For the three months ended March 31, 2018, we had net cash used in operating activities of RMB45.7 million, primarily as a result of operating loss before changes in working capital of RMB3.2 million and the negative effect of the changes in working capital. The negative changes in working capital mainly consisted of: (i) a decrease in contract liabilities of RMB32.0 million; (ii) a decrease in trade and bills payables of RMB11.3 million mainly because we settled payments with suppliers; and (iii) an increase in inventories of RMB7.0 million as we continued to increase our inventory of raw materials for Ganovo® in anticipation of its commercialization. These cash outflows were partially offset by a decrease in prepayments, deposits and other receivables of RMB3.6 million mainly as a result of a decrease in prepayments because we received the receipts for certain batches of raw materials we purchased in 2017.

For the year ended December 31, 2017, we had net cash used in operating activities of RMB198.1 million, primarily as a result of operating loss before changes in working capital of RMB91.9 million and the negative effect of the changes in working capital. The negative changes in working capital mainly consisted of: (i) a decrease in contract liabilities of RMB53.2 million; (ii) an increase in inventories of RMB43.5 million mainly because we increased our purchase volume of raw materials for danoprevir in anticipation of its upcoming commercialization; and (iii) an increase in prepayments, deposits and other receivables of RMB33.8 million mainly as a result of our increased value-added tax recoverable. These cash outflows were partially offset by an increase in trade and bills payables of RMB13.0 million and an increase in deferred income of RMB11.1 million.

For the year ended December 31, 2016, we had net cash used in operating activities of RMB12.5 million, primarily as a result of operating loss before changes in working capital of RMB29.6 million and the positive effect of the changes in working capital. The positive changes in working capital mainly consisted of: (i) an increase in contract liabilities of RMB30.4 million; and (ii) an increase in other payables and accruals of RMB13.1 million primarily as a result of the increase in other payables relating to purchased manufacturing equipment, and payroll payable as our headcount expanded in line with our overall business expansion. These cash inflows were partially offset by (i) an increase in inventories of RMB16.1 million mainly because we increased our procurement of raw materials for danoprevir; and (ii) an increase in prepayments, deposits and other receivables of RMB13.4 million mainly as a result of our increased value-added tax recoverable.

Investing Activities

Our cash used in investing activities mainly consisted of our cash used in purchase of wealth management products, purchase of property, equipment and construction in progress and purchase of intangible assets, which primarily represent upfront and/or milestone payments made to Presidio and Medivir pursuant to the relevant licensing agreements.

For the three months ended March 31, 2018, our net cash from investing activities was RMB170.5 million, primarily attributable to: (i) proceeds from disposals of wealth management products of RMB170.5 million; and (ii) a decrease in time deposits with original maturity of over three months of RMB150.4 million, partially offset by purchases of wealth management products of RMB149.0 million.

For the year ended December 31, 2017, our net cash used in investing activities was RMB644.5 million, primarily attributable to: (i) the purchase of wealth management products of RMB843.5 million; and (ii) an increase in time deposits with original maturity of over three months of RMB487.8 million, partially offset by proceeds from disposals of wealth management products of RMB706.1 million.

For the year ended December 31, 2016, our net cash used in investing activities was RMB37.6 million, primarily attributable to purchase of property, equipment and construction in progress of RMB44.6 million, partially offset by proceeds from disposals of wealth management products of RMB14.0 million.

Financing Activities

Our cash inflow from financing activities primarily related to our corporate financings during the two years ended December 31, 2017 and the three months ended March 31, 2018.

For the three months ended March 31, 2018, our net cash used in financing activities was RMB57.8 million which was attributable to dividend paid of RMB57.8 million as we declared dividends in the amount of US$9.1 million in February 2018.

For the year ended December 31, 2017, our net cash from financing activities was RMB549.4 million, primarily attributable to capital contribution from non-controlling shareholders of RMB482.1 million in relation to our Round Two Financing. For details, see "History, Reorganization and Corporate Structure — Corporate Financings and Reorganization Prior to the Pre-[REDACTED] Reorganization."

For the year ended December 31, 2016, our net cash from financing activities was RMB88.2 million, primarily attributable to capital contribution from non-controlling shareholders of RMB395.2 million into Ascletis Bioscience as part of our Pre-[REDACTED] Reorganization, partially offset by the Company's repurchase of Preferred Shares held by CBC 7, BSIH and MBD of RMB242.6 million. For details, see "History, Reorganization and Corporate Structure — Corporate Financings and Reorganization Prior to the Pre-[REDACTED] Reorganization — Round Two Financing."

INDEBTEDNESS

As of December 31, 2016 and 2017, March 31, 2018 and May 31, 2018, we did not have any indebtedness. As of the Latest Practicable Date, we had available bank facilities of RMB190.0 million, all of which were unutilised as of the same date.

Since March 31, 2018 and up to the Latest Practicable Date, there had been no adverse change to our indebtedness. As of March 31, 2018, except as otherwise disclosed in this Document, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures primarily consisted of expenditures for construction in progress, leasehold improvements and the purchase of office equipment. The following table sets forth our capital expenditures for the period indicated.

	For the year ended December 31,		For the three months ended March 31,
	2016	2017	2018
		RMB'000	
Plant and machinery	9	217	69
Motor vehicles	414	32	—
Office equipment	777	800	—
Leasehold improvements	367	868	—
Construction in progress	43,039	29,202	516
Total	**44,606**	**31,119**	**585**

We expect that our capital expenditures for the year ending December 31, 2018 and 2019 will primarily consist of purchase of plant and machinery. We intend to fund our capital expenditures with our cash and cash equivalents and cash from our operating activities.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

Our Directors confirm that there has been no material change in our contingent liabilities since March 31, 2018 to the date of this Document.

CONTRACTUAL COMMITMENTS

Operating Lease Commitments

We lease certain of our properties and warehouse under operating lease arrangements. Leases for properties and warehouse are negotiated from terms ranging mainly from one to four years. The following table sets forth our future minimum lease payments under non-cancellable operating leases falling due as of the date indicated.

	As of December 31,		As of March 31,
	2016	2017	2018
		RMB'000	
Within one year	1,681	1,961	1,744
In the second to third years, inclusive	2,577	2,843	2,874
After three years	2,027	1,050	704
Total	**6,285**	**5,854**	**5,322**

Capital Commitments

In addition to the operating lease commitments above, we had the following capital commitments as of the date indicated.

	As of December 31,		As of March 31,
	2016	2017	2018
		RMB'000	
Contracted, but not provided for:			
Plant and machinery	29,164	1,769	270

RELATED PARTY TRANSACTIONS

We granted a loan amounted to RMB4.3 million to a related party in 2016. Such loan was settled in 2017.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the date or for the period indicated.

	As of December 31,		As of March 31,
	2016	2017	2018
Current ratio[(1)]	6.3	8.8	11.4
Quick ratio[(2)]	6.1	8.2	10.4

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

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

Our current ratio increased from 6.3 as of December 31, 2016 to 8.8 as of December 31, 2017, and our quick ratio increased from 6.1 as of December 31, 2016 to 8.2 as of December 31, 2017, primarily due to an increase in our cash and cash equivalents as a result of the capital injection from our then shareholders. Our current ratio increased to 11.4 as of March 31, 2018 and our quick ratio increased to 10.4 as of March 31, 2018 primarily due to a decrease in our contract liabilities as a result of the amortization of the upfront payment and milestone payments in relation to our in-licensing arrangement.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MARKET RISKS

We are exposed to a variety of market risks, including credit risk, liquidity risk and foreign currency risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, see Note 33 in "Appendix I — Accountants' Report."

Foreign Currency Risk

Foreign currency risk refer to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position. For details, see Note 33 in "Appendix I — Accountants' Report."

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuation in cash flows. For details, see Note 33 in "Appendix I — Accountants' Report."

DIVIDENDS

The Company declared dividends in February 2018 in the amount of US$9.1 million (equivalent to approximately RMB57.8 million) in relation to our Pre-[REDACTED] Reorganization and paid such dividends from February to March 2018. (Such dividends were declared and paid by PowerTree to our Controlling Shareholders through the Company before completion of our Pre-[REDACTED] Reorganization, as a result of which PowerTree became part of our Group.) In September 2016, the Company declared a dividend of US$9.6 million (equivalent to approximately RMB64.5 million according to then-effective exchange rates) to our then shareholders as one of the steps in the corporate restructuring we conducted in 2016. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future.

As advised by Walkers, the Cayman Islands legal adviser to the Company, a Cayman Islands company may pay dividends out of profits, retained earnings or share premium, subject to a solvency test, and the provisions, if any, of the company's memorandum and articles of association. The directors of the Company must be comfortable that they have satisfied their fiduciary duties when the dividends are declared and paid, and are satisfied that the Company will continue to be able to meet its obligations as they fall due after the payment of the dividend. In the case of dividends paid out of share premium, there is a statutory test set out in Section 34(2) of the Cayman Islands Companies Law which provides that the share premium account may be applied by the company to pay dividends to its members, "Provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business". There is no provision under the Companies Law which expressly prohibits the Company to declare and pay dividends out of its share premium account even when the Company is loss making.

DISTRIBUTABLE RESERVES

As of March 31, 2018, our Group had nil retained profits under HKFRSs, as reserves available for distribution to our equity shareholders.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK$[REDACTED] (including [REDACTED] commission). In 2016, 2017 and for the three months ended March 31, 2018, [REDACTED] expenses charged to profit or loss were [REDACTED], [REDACTED], and HK$[REDACTED], respectively, and capitalized to deferred [REDACTED] expenses were [REDACTED], [REDACTED], and HK$[REDACTED], respectively. After March 31, 2018, approximately HK$[REDACTED] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set of below to illustrate the effect of the [REDACTED] on our consolidated net tangible assets as of March 31, 2018, set out in the "Appendix I — Accountants' Report."

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true and fair picture of our financial position had the [REDACTED] been completed as of March 31, 2018 or any future dates.

	Audited consolidated net tangible assets attributable to owners of the Company as of March 31, 2018	**Estimated net [REDACTED] from the [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	RMB'000 [(1)]	*RMB'000* [(2)]	*RMB'000*	*RMB* [(3)]	*HK$* [(4)]
Based on an [REDACTED] of HK$[REDACTED] per Share	562,458	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	562,458	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as of March 31, 2018 is arrived at after deducting intangible assets of RMB34,883,000 from the audited consolidated equity attributable to owners of the Company of RMB597,341,000 as of March 31, 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this Document.

2. The estimated net [REDACTED] from the [REDACTED] are based on estimated [REDACTED] of HK$[REDACTED] or HK$[REDACTED] per Share after deduction of the [REDACTED] fees and other related expenses payable by our Company and do not take into account any share which may be issued upon exercise of the [REDACTED].

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares are in issue assuming that the [REDACTED] has been completed on March 31, 2018.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.80785 to HK$1.00, the exchange rate prevailing on April 27, 2018 set by the PBOC for foreign exchange transactions.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this Document, there had been no material adverse change in our financial or trading position or prospects since March 31, 2018 and up to the date of this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

See "Business — Business Strategy" for a detailed description of our future plans.

USE OF [REDACTED]

The primary reason for our [REDACTED] is to raise funding for the research and development as well as commercialization of our Core Products. See below. In addition, we believe that the [REDACTED] will allow us to:

- *Further our business strategies and expand our operations*. We believe the Listing will provide us with additional resources to execute our business strategies, including the further development of our Core Products, as well as our development of other drug programs and pursuit of in-licensing and acquisition opportunities. As we commercialize our first products, we will need funding and resources to support our commercialization efforts and develop our sales network. Moreover, we will be required to develop and maintain more business relationships with distributors, hospitals, KOLs, suppliers and other business partners, which we believe will benefit from a [REDACTED] status given the enhanced credibility, better business reputation and sound internal and corporate governance practice.

- *Strengthen employee commitment*. The [REDACTED] is a key milestone in our company's history. Therefore, it is an important channel through which our employees would be able to share our success and achievement and, we believe, one that would strengthen their commitment to continual success of our company. In addition, we believe that the [REDACTED] status will enhance our ability to attract, recruit, retain and motivate experienced and qualified staff (in particular, key management and technical personnel);

- *Raise profile and strengthen our competitiveness*. The [REDACTED] status would enhance our level of competitiveness in our industry and helps us secure collaboration and other business opportunities; and

- *Create a long-term fund raising platform*. The [REDACTED] will provide us with opportunities to raise funds through follow-on [REDACTED] as well as debt financings after completion of the [REDACTED], which would support to our future expansion and improve our operating and financial performance to maximize Shareholders' return.

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK$3,736.0 million, after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range stated in this Document. If the [REDACTED] is set at HK$[REDACTED] per Share, being the high end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will increase by approximately HK$[REDACTED]. If the [REDACTED] is set at HK$[REDACTED] per Share, being the low end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will decrease by approximately HK$[REDACTED].

According to the F&S Report, average costs to develop an NDA-approved Category 1 drug in China generally range from RMB280 million to RMB390 million. Such costs may vary significantly depending on factors including but not limited to the type of drug candidate, indication, therapeutic area, clinical trial design and number of enrolled patients. Based on our estimates, which we believe are consistent with industry practice, we currently intend to apply these net [REDACTED] for the following purposes:

- *For our Core Products (allocation subject to change based on the progress and results of our drug candidate programs):*
  - approximately [REDACTED]%, or HK$[REDACTED], will be used for the continued research and development of our Core Product pipeline, consisting of:
    - approximately [REDACTED]%, or HK$[REDACTED], for initiating and conducting a number of phase IV clinical trials for Ganovo® and ravidasvir;
    - approximately [REDACTED]%, or HK$[REDACTED], for initiating and conducting bridging studies, a phase IIb clinical trial and a phase III clinical trial (if needed), for ASC09;
    - approximately [REDACTED]%, or HK$[REDACTED], for initiating and conducting bridging studies, a phase II clinical trial and a phase III clinical trial for ASC06;
    - approximately [REDACTED]%, or HK$[REDACTED], for other research and development costs, including long-term toxicology studies, pharmacology studies, large-scale API synthesis and optimization and large-scale formulation development, and to supplement funding for the research and development of our Core Products as necessary; and
    - approximately [REDACTED]%, or HK$[REDACTED], for staff compensation.
  - approximately [REDACTED]%, or HK$[REDACTED], will be used for commercialization of Ganovo® and ravidasvir, consisting of:
    - approximately [REDACTED]%, or HK$[REDACTED], for (i) hiring additional commercialization personnel with extensive China experience in sales and marketing of anti-viral and hepatitis drugs to increase our coverage of hospitals and doctors with HCV patients in regions with high incidence rates; and (ii) providing in-house and external training, including but not limited to programs on scientific and medical progress with respect to anti-viral drugs, regulatory framework and policy updates and global biotechnology and pharmaceutical development for commercialization personnel to enhance their knowledge; and

- approximately [REDACTED]%, or HK$[REDACTED], for marketing activities: (i) increasing the frequency of organizing and participating in academic conferences, seminars and symposia; (ii) conducting scientific promotional activities; (iii) raising awareness for HCV to increase diagnosis rate by partnering with diagnostic equipment and reagent manufacturers, independent clinical labs, health check-up networks and Internet healthcare companies; (iv) expanding our distribution network; and (v) establishing additional regional offices to deepen our market penetration.

- *For our other assets and other purposes:*

  - approximately [REDACTED]%, or HK$[REDACTED], will be used for pursuing in-licensing of new drug candidates; although we have not identified any specific targets as of the Latest Practicable Date;

  - approximately [REDACTED]%, or HK$[REDACTED], will be used for research and development of ASC21 by initiating and conducting clinical trials;

  - approximately [REDACTED]%, or HK$[REDACTED], will be used for supporting our research and development infrastructure and the early development of our two in-house drug programs at discovery stage for HBV and NASH; and

  - approximately [REDACTED]%, or HK$[REDACTED], will be used for our working capital and other general corporate purposes.

For most of our planned uses of [REDACTED] as described above, we expect the expenditures to be incurred over a five year period from 2018 to 2022. Based on our current plans, we expect a majority of the expenditures to be incurred from 2020 to 2022 as sales of Ganovo® and ravidasvir continue to ramp up, and as we invest in the clinical trials of a growing pipeline of other drug candidates.

The above allocation of the net [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] range stated in this Document.

If the [REDACTED] is exercised in full, the net [REDACTED] that we will receive will be approximately HK$[REDACTED], assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised in full, we intent to apply the additional net [REDACTED] to the above purposes in the proportions stated above.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net [REDACTED] into short-term demand deposits and/or money market instruments.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Ascletis Pharma Inc.
Morgan Stanley Asia Limited
Goldman Sachs (Asia) L.L.C.
China Merchants Securities (HK) Co., Limited

Dear Sirs,

We report on the historical financial information of Ascletis Pharma Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-5] to [I-75], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016 and 2017, and the three months ended 31 March 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016 and 2017 and 31 March 2018 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-75] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial [REDACTED] of the 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 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and 2017 and 31 March 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 10 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended31 December		Three months ended 31 March	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
REVENUE	5	32,976	53,202	13,301	51,062
Cost of sales		—	—	—	—
Gross profit		32,976	53,202	13,301	51,062
Other income and gains	5	14,496	49,593	4,090	6,437
Research and development costs		(62,689)	(114,325)	(10,572)	(22,815)
Administrative expenses		(15,044)	(37,477)	(3,015)	(15,717)
Other expenses		(1,612)	(31,434)	(144)	(19,950)
PROFIT/(LOSS) BEFORE TAX	6	(31,873)	(80,441)	3,660	(983)
Income tax credit/(expense)	9	—	(6,490)	(6,595)	125
LOSS FOR THE YEAR/PERIOD		(31,873)	(86,931)	(2,935)	(858)
Attributable to:					
Owners of the parent		(26,807)	(53,935)	(2,550)	11,629
Non-controlling interests		(5,066)	(32,996)	(385)	(12,487)
		(31,873)	(86,931)	(2,935)	(858)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	11	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
LOSS FOR THE YEAR/PERIOD	(31,873)	(86,931)	(2,935)	(858)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company	9,895	(3,164)	1,177	(2,658)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	9,895	(3,164)	1,177	(2,658)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	9,895	(3,164)	1,177	(2,658)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(21,978)	(90,095)	(1,758)	(3,516)
Attributable to:				
Owners of the parent	(16,912)	(57,099)	(1,373)	8,971
Non-controlling interests	(5,066)	(32,996)	(385)	(12,487)
	(21,978)	(90,095)	(1,758)	(3,516)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		As at 31 March
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	12	49,825	78,815	78,814
Intangible assets	13	20,432	36,517	34,883
Advance payments for property, plant and equipment		—	304	2,573
Total non-current assets		70,257	115,636	116,270
CURRENT ASSETS				
Inventories	15	18,747	62,211	69,188
Prepayments, deposits and other receivables	16	22,678	58,101	56,012
Financial assets at fair value through profit or loss	17	5,610	143,831	122,414
Pledged time deposits	18	—	4,108	—
Cash and cash equivalents	18	418,973	607,367	526,022
Total current assets		466,008	875,618	773,636
CURRENT LIABILITIES				
Trade and bills payables	19	—	12,967	1,657
Other payables and accruals	20	17,197	35,305	47,249
Deferred income	21	3,000	10,000	10,000
Contract liabilities	5	53,202	40,956	8,993
Total current liabilities		73,399	99,228	67,899
NET CURRENT ASSETS		392,609	776,390	705,737
TOTAL ASSETS LESS CURRENT LIABILITIES		462,866	892,026	822,007

	Notes	As at 31 December		As at 31 March
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Deferred income	21	12,824	22,070	22,070
Deferred tax liabilities	22	—	125	—
Contract liabilities	5	40,958	—	—
Total non-current liabilities		53,782	22,195	22,070
Net assets		409,084	869,831	799,937
EQUITY				
Equity attributable to owners of the parent				
Share capital	23	9	9	9
Reserves	24	272,350	596,952	597,332
		272,359	596,961	597,341
Non-controlling interests		136,725	272,870	202,596
Total equity		409,084	869,831	799,937

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent							
	Share capital	Share premium account*	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	11	334,796	—	8,423	(327)	342,903	—	342,903
Loss for the year	—	—	—	—	(26,807)	(26,807)	(5,066)	(31,873)
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of the Company	—	—	—	9,895	—	9,895	—	9,895
Total comprehensive income/(loss) for the year	—	—	—	9,895	(26,807)	(16,912)	(5,066)	(21,978)
Repurchase of shares (note a)	(2)	(242,562)	—	—	—	(242,564)	—	(242,564)
Capital contribution from non-controlling shareholders (note b)	—	—	253,408	—	—	253,408	141,791	395,199
Dividend declared and paid	—	—	—	—	(64,476)	(64,476)	—	(64,476)
At 31 December 2016	9	92,234	253,408	18,318	(91,610)	272,359	136,725	409,084

Notes:

(a) In 2016, the Company repurchased shares from its shareholders and cancelled the shares subsequently.

(b) In 2016, non-controlling shareholders contributed RMB395,199,000 in a subsidiary, Ascletis BioScience Co., Ltd. ("Ascletis BioScience").

Year ended 31 December 2017

	Attributable to owners of the parent							
	Share capital	**Share premium account***	**Capital reserve***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	9	92,234	253,408	18,318	(91,610)	272,359	136,725	409,084
Loss for the year	—	—	—	—	(53,935)	(53,935)	(32,996)	(86,931)
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of the Company	—	—	—	(3,164)	—	(3,164)	—	(3,164)
Total comprehensive income/(loss) for the year	—	—	—	(3,164)	(53,935)	(57,099)	(32,996)	(90,095)
Equity-settled share award	—	—	775	—	—	775	388	1,163
Capital contribution from non-controlling shareholders (note a)	—	—	315,234	—	—	315,234	166,878	482,112
Transfer of shares to non-controlling shareholders (note b)	—	—	65,692	—	—	65,692	1,875	67,567
At 31 December 2017	9	92,234	635,109	15,154	(145,545)	596,961	272,870	869,831

Notes:

(a) In 2017, non-controlling shareholders contributed RMB482,112,000 in Ascletis BioScience.

(b) On 3 January 2017, PowerTree Investment (BVI) Ltd. ("PowerTree") transferred its 1.36% interests in Ascletis BioScience to a third party investor at a cash consideration of US$10,000,000 (equivalent to RMB67,567,000). The difference between the cash consideration and the net assets on the date of transfer was recorded as capital reserve.

At 31 March 2018

	Attributable to owners of the parent							
	Share capital	Share premium account*	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	9	92,234	635,109	15,154	(145,545)	596,961	272,870	869,831
Loss for the period	—	—	—	—	11,629	11,629	(12,487)	(858)
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of the Company	—	—	—	(2,658)	—	(2,658)	—	(2,658)
Total comprehensive income/(loss) for the period	—	—	—	(2,658)	11,629	8,971	(12,487)	(3,516)
Equity-settled share award	—	—	690	—	—	690	130	820
Purchase of shares from non-controlling shareholders (note a)	—	—	48,534	—	—	48,534	(57,917)	(9,383)
Dividend declared and paid	—	—	—	—	(57,815)	(57,815)	—	(57,815)
At 31 March 2018	9	92,234	684,333	12,496	(191,731)	597,341	202,596	799,937

Note:

(a) On 28 February 2018, PowerTree purchased 7.25% interests in Ascletis BioScience from non-controlling shareholders at cash consideration of US$1,492,223 (equivalent to RMB9,383,000).

At 31 March 2017

	Attributable to owners of the parent							
	Share capital	Share premium account*	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	9	92,234	253,408	18,318	(91,610)	272,359	136,725	409,084
Loss for the period (Unaudited)	—	—	—	—	(2,550)	(2,550)	(385)	(2,935)
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of the Company (Unaudited)	—	—	—	1,177	—	1,177	—	1,177
Total comprehensive income/(loss) for the period (Unaudited)	—	—	—	1,177	(2,550)	(1,373)	(385)	(1,758)
Equity-settled share award (Unaudited)	—	—	154	—	—	154	77	231
Capital contribution from non-controlling shareholders (Unaudited)	—	—	315,234	—	—	315,234	166,878	482,112
Transfer of shares to non-controlling shareholders (Unaudited)	—	—	65,692	—	—	65,692	1,875	67,567
At 31 March 2017 (Unaudited)	9	92,234	634,488	19,495	(94,160)	652,066	305,170	957,236

* These reserve accounts comprise the consolidated reserves of RMB272,350,000, RMB596,952,000 and RMB597,332,000 in the consolidated statements of financial position as at 31 December 2016 and 2017 and 31 March 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Three months ended 31 March	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(31,873)	(80,441)	3,660	(983)
Adjustments for:					
Bank interest income	5	(85)	(10,207)	(2,114)	(3,091)
Interest income from loans to a related party	5	—	(69)	—	—
Dividend income from financial assets at fair value through profit or loss	5	(99)	(7,065)	(443)	(1,459)
Changes in fair value of financial assets at fair value through profit or loss	5	—	(831)	(1,533)	(83)
Depreciation of items of property, plant and equipment	12	579	2,108	461	586
Amortisation of intangible assets	13	1,892	3,442	491	978
Loss on disposal of items of property, plant and equipment	6	—	11	—	—
Equity-settled share award expense	6	—	1,163	231	820
		(29,586)	(91,889)	753	(3,232)
Increase in inventories		(16,086)	(43,464)	(8,816)	(6,977)
Decrease/(increase) in prepayments, deposits and other receivables,		(13,422)	(33,765)	(12,442)	3,631
Increase/(decrease) in trade and bills payables		—	12,967	10,211	(11,310)
Increase/(decrease) in other payables and accruals		13,071	2,300	(3,792)	2,561
Increase in deferred income		3,000	11,086	—	—
Increase/(decrease) in contract liabilities		30,440	(53,204)	(13,303)	(31,963)
Interest received		85	5,641	405	1,549
Cash used in operations		(12,498)	(190,328)	(26,984)	(45,741)
Income tax paid		—	(7,728)	(6,365)	—
Net cash flows used in operating activities		(12,498)	(198,056)	(33,349)	(45,741)

	Note	Year ended 31 December		Three months ended 31 March	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Net cash flows used in operating activities		(12,498)	(198,056)	(33,349)	(45,741)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, equipment and construction in progress		(44,606)	(15,298)	(5,824)	(2,854)
Proceeds from disposal of items of property, plant and equipment		—	10	—	—
Purchases of intangible assets	13	—	(20,651)	—	—
Purchases of financial assets at fair value through profit or loss		(5,610)	(843,500)	(364,538)	(149,000)
Proceeds from disposals of financial assets at fair value through profit or loss		14,000	706,110	102,889	170,500
Dividend income from financial assets at fair value through profit or loss		99	7,065	443	1,459
Receipt of government grants for property, plant and equipment		2,824	5,160	—	—
Decrease/(increase) in time deposits with original maturity of over three months		—	(487,778)	(489,850)	150,421
Loans to a related party		(4,340)	—	—	—
Receipt of repayment of loans to a related party		—	4,340	—	—
Net cash flows from/(used in) investing activities		(37,633)	(644,542)	(756,880)	170,526
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution from non-controlling shareholders		395,199	482,112	482,112	—
Repurchase of shares		(242,564)	—	—	—
Transfer of shares to non-controlling shareholders		—	67,567	67,567	—
Interest paid		—	(317)	(317)	—
Dividend paid		(64,476)	—	—	(57,815)
Net cash flows from/(used in) financing activities		88,159	549,362	549,362	(57,815)

	Note	Year ended 31 December		Three months ended 31 March	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		38,028	(293,236)	(240,867)	66,970
Cash and cash equivalents at beginning of year/period		372,398	418,973	418,973	123,697
Effect of foreign exchange rate changes, net		8,547	(2,040)	1,289	(2,002)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		418,973	123,697	179,395	188,665
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the consolidated statements of financial position	18	418,973	607,367	669,245	526,022
Time deposits with original maturity of less than three months when acquired, pledged as security for bills payable	18	—	4,108	—	—
Non-pledged time deposits with original maturity of over three months when acquired		—	(487,778)	(489,850)	(337,357)
Cash and cash equivalents as stated in the consolidated statements of cash flows		418,973	123,697	179,395	188,665

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		As at 31 March
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Intangible assets	13	20,432	17,382	16,280
Investment in a subsidiary	14	110,517	104,100	100,179
Total non-current assets		130,949	121,482	116,459
CURRENT ASSETS				
Cash and cash equivalents	18	424	382	18,769
Total current assets		424	382	18,769
CURRENT LIABILITIES				
Contract liabilities	5	20,178	24,446	737
Total current liabilities		20,178	24,446	737
NON-CURRENT LIABILITIES				
Contract liabilities	5	24,446	—	—
Total non-current liabilities		24,446	—	—
NET CURRENT ASSETS/ (LIABILITIES)		(19,754)	(24,064)	18,032
TOTAL ASSETS LESS CURRENT LIABILITIES		111,195	97,418	134,491
Net assets		86,749	97,418	134,491
EQUITY				
Share capital	23	9	9	9
Reserves	24	86,740	97,409	134,482
Total equity		86,749	97,418	134,491

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office of the Company is at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the research and development of biological products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of registration/ incorporation and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
PowerTree (note (a))	British Virgin Islands 13 January 2011	US$101	100%	—	Investment holding
Ascletis BioScience (歌禮生物科技(杭州)有限公司) (note (b))	People's Republic of China/ Mainland China 26 April 2013	US$20,600,162	—	73.86%	Research, development and commercialization
Ascletis Pharmaceuticals Co., Ltd. ("Ascletis Pharmaceuticals") (歌禮藥業(浙江)有限公司) (note (b))	People's Republic of China/ Mainland China 24 September 2014	RMB256,597,000	—	73.86%	Manufacturing, commercialization, research and development
Ascletis Biopharmaceutical (Hangzhou) Co., Ltd. ("Ascletis Biopharma") (歌禮生物製藥(杭州)有限公司)(note (c))	People's Republic of China/ Mainland China 19 April 2018	RMB30,000,000	—	100%	Manufacturing, research and development
Ascletis Pharma (China) Co., Limited (歌禮製藥(中國)有限公司) (note (c))	Hong Kong 15 March 2018	HK$100	—	100%	Investment holding

Notes:

(a) No audited financial statements have been prepared for this entity for the years ended 31 December 2016 and 2017, as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) These entities are limited liability enterprises established under the People's Republic China (the "PRC") law. The statutory financial statements for the years ended 31 December 2016 and 2017 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(c) No audited financial statements have been prepared for these entities for the years ended 31 December 2016 and 2017 as these entities were incorporated in 2018. Ascletis Biopharma is a limited liability enterprise established under the PRC law.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

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1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees - leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such aschange in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. As disclosed in note 28 to the Historical Financial Information, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB5,322,000. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

The Group has assessed the impact of HKFRS 16 upon adoption and does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but expects that a certain portion of the lease commitments will be required to be recognised in the consolidated statement of financial position as the right-of-use assets and the lease liabilities.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an

entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial information.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	10.00% - 33.33%
Motor vehicles	20.00% - 25.00%
Office equipment	20.00% - 33.33%
Leasehold improvements	22.22%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	3-5 years
Intellectual property	10-15 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is 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, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group includes in this category short-term non-financing receivables including other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income and gains using the effective interest rate method.

Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

(a) its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or

(b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

(c) at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss within other income and gains in the period in which it arises. Interest income from these financial assets is included in other income and gains.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Group has:

(a) transferred substantially all of the risks and rewards of the asset; or

(b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been as significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or fair value through profit or loss.

Financial liabilities measured at fair value through profit of loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is designated as at fair value through profit or loss.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) though the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business consolidation and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business consolidation and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in exchange for goods or services transferred to licensing partner or collaboration partner. The Group recognises revenue when it transfers control over a product or service to the counterparty.

(a) Collaboration revenue

The Group enters into collaboration agreements for research, development, manufacturing and commercialisation services. The terms of these arrangements typically include payments to the Group of one or more of the following: non-refundable upfront fees, milestone payments for development and regulatory application and royalties on net sales of licensed products. Milestone payment is variable consideration which is constrained until it is probable that the revenue is not at a significant risk of reversal in a future period when the uncertainty resolved. The contracts into which the Group enters generally do not include significant financing components.

As part of the accounting for these arrangements, the Group must use significant judgement to determine: (a) the performance obligations; (b) the transaction price; and (c) the timing of revenue recognition, including the appropriate measure of progress.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct.

The Group uses judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services transfers to the counterparty. If the performance obligation is satisfied over time, the portion of the

transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for purposes of recognising revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone payments

At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, the Group reevaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment. During the Relevant Periods, the milestone payments were recognised as revenue when the performance obligation was satisfied over time.

Licenses of intellectual property

In assessing whether a license is distinct from the other promises, the Group considers factors such as the research, development, manufacturing and commercialisation capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, the Group considers whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s). For licenses that are combined with other promises, the Group utilises judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognising revenue.

Upfront fees

Upfront payment is initially deferred since no goods or services have yet been provided. The Group determines that the upfront payment constitutes the entirety of the consideration to be included in the transaction price as of the outset of the collaboration agreement and to be allocated to the performance obligations based on the Group's best estimate of their

relative stand-alone selling prices. The upfront payment is recognised as revenue when the performance obligation is satisfied over time or at a point in time. During the Relevant Periods, the upfront payment was recognised as revenue when the performance obligation was satisfied over time.

Royalties

A sales-based royalty promised in exchange for a license of intellectual property is recognised as revenue only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

The Group presents a contract liability or a contract asset in its consolidated statement of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the collaboration partner, and the collaboration partner performs by paying consideration to the Group.

Any unconditional rights to consideration are presented separately as trade receivables.

Contract liabilities are obligations to transfer goods or services to a counterparty for which the Group has received consideration, or for which an amount of consideration is due from the counterparty.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a counterparty when that right is conditional on something other than the passage of time.

(b) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(c) Dividend income is recognised when the shareholders' right to receive payment has been established.

Share-based payments

The Group operates a share award for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an option pricing model, further details of which are given in note 25 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the Relevant Periods in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and an overseas subsidiary are currencies other than the RMB, which is United States dollars. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Recognition of collaboration revenue

In determining the appropriate amount of revenue to be recognised as the Group fulfills its obligations under each of its collaboration agreements, the Group must use judgement to determine: (a) whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (b) measurement of the transaction price, including the constraint on variable consideration; and (c) recognition of revenue when (or as) the Group satisfies each performance obligation.

At the inception of each arrangement that includes development milestone payments, the Group determines that each of its collaboration agreements is one single performance obligation. The Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. At the end of each of the Relevant Periods, the Group reevaluates the probability of achievement of such development milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

The Group determines that the identified performance obligations from each of its collaboration agreements are satisfied over time and revenue is recognised over time. The Group evaluates the measure of progress at the end of each of the Relevant Periods and, if necessary, adjusts the measure of performance and related revenue recognition.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods and the three months ended 31 March 2017, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of intangible assets

The Group's finite life intangible assets primarily represent patents transferred from third parties. These intangible assets are amortised on a straight-line basis over their useful economic lives, which are estimated to be the patent life. If the Group's estimate of the duration of sale of product is shorter than the patent life, then the shorter period is used. Additional amortisation is recognised if the estimated useful lives of patents are different from the previous estimation. Useful lives are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Fair value of financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the financial assets at fair value through profit or loss at 31 December 2016 and 2017 and 31 March 2018 were RMB5,610,000, RMB143,831,000 and RMB122,414,000, respectively. Further details are included in note 17 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

(a) *Revenue from external customers*

During the Relevant Periods and the three months ended 31 March 2017, all of the Group's revenue is generated from a collaboration partner located in Switzerland.

(b) *Non-current assets*

	As at 31 December		As at 31 March
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	49,825	98,254	99,990
Cayman Islands	20,432	17,382	16,280
Total	70,257	115,636	116,270

The non-current asset information above is based on the locations of the assets.

Information about a major collaboration partner

Revenue of RMB32,976,000, RMB53,202,000, RMB13,301,000 and RMB51,062,000 for the years ended 31 December 2016 and 2017 and the three months ended 31 March 2017 and 2018, respectively, were derived from collaboration arrangement with a single collaboration partner.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of collaboration revenue generated during the Relevant Periods and the three months ended 31 March 2017.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Revenue				
Collaboration revenue (note)	32,976	53,202	13,301	51,062
Other income and gains				
Bank interest income	85	10,207	2,114	3,091
Interest income from loans to a related party	—	69	—	—
Dividend income from financial assets at fair value through profit or loss	99	7,065	443	1,459
Changes in fair value of financial assets at fair value through profit or loss	—	831	1,533	83
Government grants*	2,007	31,413	—	1,800
Foreign exchange gain, net	12,256	—	—	—
Others	49	8	—	4
	14,496	49,593	4,090	6,437

* The government grants mainly represent subsidies received from the local governments for the purpose of compensation for expenses arising from research activities and clinical trials, award for new drugs development and capital expenditure incurred on certain projects.

Note:

Collaboration revenue

Contract liabilities

Group

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current	53,202	40,956	8,993
Non-current	40,958	—	—
	94,160	40,956	8,993

The Group received non-refundable upfront fees and milestone payments for development and regulatory application as agreed in the collaboration agreements from the collaboration partner.

The following table shows the revenue recognised during the Relevant Periods and the three months ended 31 March 2017 related to carried-forward contract liabilities.

	Year ended 31 December		Three months ended 31 March	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period				
Collaboration revenue	32,976	53,202	13,301	51,062

Company

The Company recognised the following revenue-related contract liabilities:

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current	20,178	24,446	737
Non-current	24,446	—	—
	44,624	24,446	737

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Year ended 31 December		Three months ended 31 March	
	Notes	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation of items of property, plant and equipment	12	579	2,108	461	586
Amortisation of intangible assets*	13	1,892	3,442	491	978
Minimum lease payments under operating leases		1,008	1,798	532	532
Auditor's remuneration		187	300	—	—
Foreign exchange gain, net		(12,256)	—	—	—
Government grants		(2,007)	(31,413)	—	(1,800)
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 7)*):					
Wages and salaries		9,247	35,826	4,565	10,234
Pension scheme contributions		3,287	8,167	722	2,876
Staff welfare expenses		824	1,672	302	172
Equity-settled share award expense		—	1,163	231	820
		13,358	46,828	5,820	14,102
Other expenses:					
Foreign exchange loss, net		—	31,048	144	19,573
Donation		1,550	296	—	344
Loss on disposal of items of property, plant and equipment		—	11	—	—
Others		62	79	—	33
		1,612	31,434	144	19,950

* The amortisation of intangible assets for the Relevant Periods and the three months ended 31 March 2017 are included in "Administrative expenses" and "Research and development costs" in the consolidated statements of profit or loss.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of each of the Company's directors is set out below:

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Fees	—	—	—	—
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	4,111	4,295	415	927
Pension scheme contributions	118	142	36	38
	4,229	4,437	451	965

Year ended 31 December 2016	**Salaries, bonuses, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Jinzi Jason WU*	2,907	58	2,965
Judy Hejingdao WU	1,204	60	1,264
	4,111	118	4,229
Non-executive director:			
Wei FU	—	—	—

Year ended 31 December 2017	**Salaries, bonuses, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Jinzi Jason WU*	3,001	71	3,072
Judy Hejingdao WU	1,294	71	1,365
	4,295	142	4,437
Non-executive director:			
Wei FU	—	—	—

Three months ended 31 March 2018	**Salaries, bonuses, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Jinzi Jason WU*	672	19	691
Judy Hejingdao WU	255	19	274
	927	38	965
Non-executive director:			
Wei FU	—	—	—

Three months ended 31 March 2017 (Unaudited)	**Salaries, bonuses, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Jinzi Jason WU*	240	18	258
Judy Hejingdao WU	175	18	193
	415	36	451
Non-executive director:			
Wei FU	—	—	—

* Jinzi Jason Wu was also the chief executive of the Company during the Relevant Periods and the three months ended 31 March 2017.

Subsequent to the end of the Relevant Periods, Ru Rong JI, Yizhen WEI, Jiong GU and Lin Hua were appointed as independent non-executive directors of the Company on 27 April 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2017.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016 and 2017, and the three months ended 31 March 2017 and 2018 included two, two, one, two directors, respectively, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three, three, four, three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Salaries, bonuses, allowances and benefits in kind	2,169	3,316	993	850
Pension scheme contributions	126	218	79	58
Equity-settled share award expense	—	723	178	250
	2,295	4,257	1,250	1,158

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
			(Unaudited)	
Nil to HK$1,000,000	2	—	4	3
HK$1,000,001 to HK$2,000,000	1	3	—	—

* During the Relevant Periods and the three months ended 31 March 2017, shares were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 25 to the Historical Financial Information. The fair value of such awarded shares, which has been recognised in the consolidated statements of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the three months ended 31 March 2017 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("BVI"), PowerTree is not subject to tax on income or capital gains. In addition, upon payments of dividends by PowerTree to its shareholder, no BVI withholding tax is imposed.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatment is available to Ascletis BioScience and Ascletis Pharmaceuticals, since they were recognised as High and New Technology Enterprises and are entitled to a preferential tax rate of 15% during the Relevant Periods and the three months ended 31 March 2017.

The income tax expense/(credit) of the Group for the Relevant Periods and the three months ended 31 March 2017 is analysed as follows:

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Current tax:				
Charge/(credit) for the year/period.....	(7)	6,375	6,365	—
Under/(over) provision in prior years....	7	(10)	—	—
Deferred tax (note 22)	—	125	230	(125)
Total tax charge/(credit) for the year/period	—	6,490	6,595	(125)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate in Mainland China to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit/(loss) before tax	(31,873)	(80,441)	3,660	(983)
Tax at the statutory tax rate of 25%	(7,968)	(20,110)	915	(246)
Effect of tax rate differences in other countries	(4,016)	(4,557)	(1,137)	(10,578)
Preferential tax rates enacted by local authority	1,500	9,867	89	4,329
Effect of tax concessions and allowances	(2,435)	(9,040)	(545)	(1,617)
Tax losses not recognised	12,560	23,179	697	7,717
Tax losses utilised from previous years	—	—	(287)	—
Adjustments in respect of current tax of previous periods	7	(10)	—	—
Expenses not deductible for tax	352	796	498	270
Effect of capital gain	—	6,365	6,365	—
Tax charge/(credit) at the Group's effective rate	—	6,490	6,595	(125)

10. DIVIDENDS

On 26 September 2016, the Company declared a dividend of US$9,638,460.53 (equivalent to RMB64,476,000) to its shareholders.

On 1 February 2018, the Company declared a dividend of US$9,120,051 (equivalent to RMB57,815,000) to its shareholders.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the number of ordinary shares as at each reporting date during the Relevant Periods and the three months ended 31 March 2017 is different from the number of ordinary shares immediately after the completion of public [REDACTED] of the Group.

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016						
At 1 January 2016:						
Cost	318	582	639	—	4,661	6,200
Accumulated depreciation	(27)	(212)	(163)	—	—	(402)
Net carrying amount	291	370	476	—	4,661	5,798
At 1 January 2016, net of accumulated depreciation	291	370	476	—	4,661	5,798
Additions	9	414	777	367	43,039	44,606
Depreciation provided during the year	(105)	(186)	(288)	—	—	(579)
Transfers	7,210	—	1,366	—	(8,576)	—
At 31 December 2016, net of accumulated depreciation	7,405	598	2,331	367	39,124	49,825
At 31 December 2016:						
Cost	7,537	996	2,782	367	39,124	50,806
Accumulated depreciation	(132)	(398)	(451)	—	—	(981)
Net carrying amount	7,405	598	2,331	367	39,124	49,825
31 December 2017						
At 1 January 2017:						
Cost	7,537	996	2,782	367	39,124	50,806
Accumulated depreciation	(132)	(398)	(451)	—	—	(981)
Net carrying amount	7,405	598	2,331	367	39,124	49,825

	Plant and machinery	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017, net of accumulated depreciation	7,405	598	2,331	367	39,124	49,825
Additions	217	32	800	868	29,202	31,119
Disposals	—	—	(21)	—	—	(21)
Depreciation provided during the year	(950)	(215)	(754)	(189)	—	(2,108)
Transfers	430	—	—	—	(430)	—
At 31 December 2017, net of accumulated depreciation	7,102	415	2,356	1,046	67,896	78,815
At 31 December 2017:						
Cost	8,184	1,028	3,528	1,235	67,896	81,871
Accumulated depreciation	(1,082)	(613)	(1,172)	(189)	—	(3,056)
Net carrying amount	7,102	415	2,356	1,046	67,896	78,815
31 March 2018						
At 1 January 2018:						
Cost	8,184	1,028	3,528	1,235	67,896	81,871
Accumulated depreciation	(1,082)	(613)	(1,172)	(189)	—	(3,056)
Net carrying amount	7,102	415	2,356	1,046	67,896	78,815
At 1 January 2018, net of accumulated depreciation	7,102	415	2,356	1,046	67,896	78,815
Additions	69	—	—	—	516	585
Depreciation provided during the period	(249)	(43)	(226)	(68)	—	(586)
Transfers	217	—	—	—	(217)	—
At 31 March 2018, net of accumulated depreciation	7,139	372	2,130	978	68,195	78,814
At 31 March 2018:						
Cost	8,470	1,028	3,528	1,235	68,195	82,456
Accumulated depreciation	(1,331)	(656)	(1,398)	(257)	—	(3,642)
Net carrying amount	7,139	372	2,130	978	68,195	78,814

13. INTANGIBLE ASSETS

Group

	Intellectual property	Total
	RMB'000	*RMB'000*
31 December 2016		
At 1 January 2016:		
Cost	22,728	22,728
Accumulated amortisation	(1,752)	(1,752)
Net carrying amount	20,976	20,976
Cost at 1 January 2016, net of accumulated amortisation	20,976	20,976
Amortisation provided during the year	(1,892)	(1,892)
Exchange realignment	1,348	1,348
At 31 December 2016	20,432	20,432
At 31 December 2016:		
Cost	24,280	24,280
Accumulated amortisation	(3,848)	(3,848)
Net carrying amount	20,432	20,432

	Intellectual property	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2017			
At 1 January 2017:			
Cost	24,280	—	24,280
Accumulated amortisation	(3,848)	—	(3,848)
Net carrying amount	20,432	—	20,432
Cost at 1 January 2017, net of accumulated amortisation	20,432	—	20,432
Additions	20,140	511	20,651
Amortisation provided during the year	(3,364)	(78)	(3,442)
Exchange realignment	(1,124)	—	(1,124)
At 31 December 2017	36,084	433	36,517
At 31 December 2017:			
Cost	43,010	511	43,521
Accumulated amortisation	(6,926)	(78)	(7,004)
Net carrying amount	36,084	433	36,517

	Intellectual property	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 March 2018			
At 1 January 2018:			
Cost	43,010	511	43,521
Accumulated amortisation	(6,926)	(78)	(7,004)
Net carrying amount	36,084	433	36,517
Cost at 1 January 2018, net of accumulated amortisation	36,084	433	36,517
Amortisation provided during the period	(937)	(41)	(978)
Exchange realignment	(656)	—	(656)
At 31 March 2018	34,491	392	34,883
At 31 March 2018:			
Cost	42,147	511	42,658
Accumulated amortisation	(7,656)	(119)	(7,775)
Net carrying amount	34,491	392	34,883

Company

	Intellectual property	Total
	RMB'000	*RMB'000*
31 December 2016		
At 1 January 2016:		
Cost	22,728	22,728
Accumulated amortisation	(1,752)	(1,752)
Net carrying amount	20,976	20,976
Cost at 1 January 2016, net of accumulated amortisation	20,976	20,976
Amortisation provided during the year	(1,892)	(1,892)
Exchange realignment	1,348	1,348
At 31 December 2016	20,432	20,432
At 31 December 2016:		
Cost	24,280	24,280
Accumulated amortisation	(3,848)	(3,848)
Net carrying amount	20,432	20,432
31 December 2017		
At 1 January 2017:		
Cost	24,280	24,280
Accumulated amortisation	(3,848)	(3,848)
Net carrying amount	20,432	20,432
Cost at 1 January 2017, net of accumulated amortisation	20,432	20,432
Amortisation provided during the year	(1,926)	(1,926)
Exchange realignment	(1,124)	(1,124)
At 31 December 2017	17,382	17,382

	Intellectual property	Total
	RMB'000	*RMB'000*
At 31 December 2017:		
Cost	22,870	22,870
Accumulated amortisation	(5,488)	(5,488)
Net carrying amount	17,382	17,382
31 March 2018		
At 1 January 2018:		
Cost	22,870	22,870
Accumulated amortisation	(5,488)	(5,488)
Net carrying amount	17,382	17,382
Cost at 1 January 2018, net of accumulated amortisation	17,382	17,382
Amortisation provided during the period	(446)	(446)
Exchange realignment	(656)	(656)
At 31 March 2018	16,280	16,280
At 31 March 2018:		
Cost	22,008	22,008
Accumulated amortisation	(5,728)	(5,728)
Net carrying amount	16,280	16,280

14. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 December		As at 31 March
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	110,517	104,100	100,179

Particulars of the subsidiaries are set out in note 1.

15. INVENTORIES

	As at 31 December		As at 31 March
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	18,747	62,211	69,188

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		As at 31 March
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Value-added tax recoverable	11,723	24,999	27,130
Prepaid income tax	—	1,363	1,363
Prepayments	3,189	21,056	16,046
Interest receivable	—	4,635	6,177
Other receivables	1,631	4,078	423
Prepaid expenses	1,795	1,970	2,607
Deferred [REDACTED] expenses	—	—	2,266
Due from a related party	4,340	—	—
	22,678	58,101	56,012

None of the above assets is either past due or impaired. The financial assets included in the above balances except for amount due from a related party (note 30) are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Investments in financial products, at fair value	5,610	143,831	122,414

The above investments represent investments in certain financial products issued by commercial banks in the PRC with expected interest rates ranging from 0.35% to 5.05% per annum with a maturity period within six months. The fair values of the investments approximate to their costs plus expected interest.

18. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Group

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	418,973	106,521	81,768
Time deposits	—	504,954	444,254
	418,973	611,475	526,022
Less: Pledged time deposits for bills payable	—	(4,108)	—
Cash and cash equivalents	418,973	607,367	526,022
Denominated in:			
RMB	155,441	20,542	18,051
United States dollars	263,500	586,772	507,890
Others	32	53	81
Cash and cash equivalents	418,973	607,367	526,022

Company

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	424	382	18,769
Denominated in:			
United States dollars	421	353	18,749
Others	3	29	20
Cash and cash equivalents	424	382	18,769

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

19. TRADE AND BILLS PAYABLES

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	8,859	1,657
Bills payable	—	4,108	—
	—	12,967	1,657

An ageing analysis of the trade and bills payables as at the end of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	—	8,837	1,657
1 to 3 months	—	—	—
3 to 6 months	—	4,130	—
	—	12,967	1,657

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

20. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Other payables	12,177	24,848	24,302
Payroll payable	4,145	9,428	4,705
Taxes other than income tax	285	1	3
Interest payable	317	—	—
Accrued expenses	173	1,028	8,856
Due to a director	100	—	—
Due to related parties	—	—	9,383
	17,197	35,305	47,249

Other payables are non-interest-bearing and repayable on demand.

21. DEFERRED INCOME

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Government grants			
Current	3,000	10,000	10,000
Non-current	12,824	22,070	22,070
	15,824	32,070	32,070

The movements in government grants during the Relevant Periods are as follows:

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	10,000	15,824	32,070
Grants received during the year/period	7,824	24,246	—
Amount released	(2,000)	(8,000)	—
At 31 December/31 March	15,824	32,070	32,070
Current	3,000	10,000	10,000
Non-current	12,824	22,070	22,070
	15,824	32,070	32,070

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research activities and clinical trials, award for new drugs development and capital expenditure incurred on certain projects.

22. DEFERRED TAX

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Fair value adjustments arising from financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*
At 1 January 2016, 31 December 2016 and 1 January 2017	—	—
Deferred tax charged to the statement of profit or loss during the year	125	125
At 31 December 2017 and 1 January 2018	125	125
Deferred tax credited to the statement of profit or loss during the period	(125)	(125)
As 31 March 2018	—	—

The Group has tax losses arising in Mainland China of RMB83,504,000, RMB238,031,000 and RMB289,478,000 that will expire in one to five years for offsetting against future taxable profits as at 31 December 2016 and 2017 and 31 March 2018, respectively.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. SHARE CAPITAL

Group and Company

The Company was incorporated on 25 February 2014 with an initial authorised share capital of US$50,000 divided into 500,000,000 shares with par value of US$0.0001 each.

	As at 31 December		As at 31 March
	2016	2017	2018
Issued and fully paid in US$	1,475	1,475	1,475
Equivalent to RMB	9,000	9,000	9,000

A summary of movements in the Company's issued share capital and share premium is as follows:

	Note	Number of shares in issue	Share capital	Share premium account	Total
			RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016		17,500,000	11	334,796	334,807
Shares repurchased	(a)	(2,750,000)	(2)	(242,562)	(242,564)
At 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018 and 31 March 2018		14,750,000	9	92,234	92,243

Note:

(a) In 2016, the Company repurchased shares from its shareholders and cancelled the shares subsequently.

24. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the three months ended 31 March 2017 are presented in the consolidated statements of changes in equity of the Group.

Statutory reserve

In accordance with the Company Law of the PRC, the subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC GAAP, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

Company

	Share premium account	**Exchange fluctuation reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	334,796	10,572	15,663	361,031
Total comprehensive income for the year	—	16,598	16,149	32,747
Repurchase of shares	(242,562)	—	—	(242,562)
Dividend declared and paid	—	—	(64,476)	(64,476)
At 31 December 2016 and 1 January 2017	92,234	27,170	(32,664)	86,740
Total comprehensive income for the year	—	(7,565)	18,234	10,669
At 31 December 2017 and 1 January 2018	92,234	19,605	(14,430)	97,409
Total comprehensive income for the period	—	(5,051)	99,939	94,888
Dividend declared and paid	—	—	(57,815)	(57,815)
As 31 March 2018	92,234	14,554	27,694	134,482

25. SHARE AWARD

On 14 July 2016, Zande Investment and Management LLP ("Zande") entered into an equity interest subscription agreement with PowerTree, pursuant to which Zande subscribed for approximately 2.44% equity interest in Ascletis BioScience for a cash consideration of US$312,220. Subsequently on 2 August 2016, Zande, Hangzhou Zanqin Investment and Management LLP ("Zanqin"), Hangzhou Zanwei Investment and Management LLP ("Zanwei") and Hangzhou Zanfang Investment and Management LLP ("Zanfang") (collectively, the "PRC Share Incentive Entities") and PowerTree entered into an equity interest subscription agreement with Ascletis BioScience, pursuant to which Zanqin, Zanwei, Zanfang, Zande and PowerTree agreed to subscribe for approximately 1.18%, 1.18%, 1.18%, 0.25% and 10.08% equity interest in Ascletis BioScience, respectively, for a cash consideration of RMB2,319,581, RMB2,319,581, RMB2,319,581, RMB497,045 and US$3,133,689, respectively. The consideration was determined based on fair market value at that time. The purpose to establish the PRC Share Incentive Entities was to reserve equity interest for future employee incentive plans. Ms. Heying YANG, being a supervisor of Ascletis BioScience and the mother of a director, as the general partner, and the Group's employees, each as a limited partner, subscribed for equity interest in Zanqin and Zanwei by way of entering into partnership agreement.

On 15 March 2018, JJW11 Limited was incorporated in the BVI. The purpose for its incorporation is to set up an offshore share incentive platform to replace the PRC Share Incentive Entities and to hold incentive shares for the participants of the employee incentive plans. For any participant who had subscribed for equity interest in the PRC Share Incentive Entities, the amount of the award is determined based on his/her previous interest in such PRC Share Incentive Entities. There is no significant change to the terms of the employee incentive plans.

The employees of the Group shall not have any right to receive any shares awarded to them and all other interest attributable thereto unless and until the shares have transferred the legal and beneficial ownership of such awarded shares to them and the legal and beneficial ownership of those awarded shares vested in them. When the participant ceased to be the Group's employee, the unvested shares would be retained by the partnerships.

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares and is determined using an option pricing model, adjusted for the exclusion of expected dividends to be received in the vesting period.

Pursuant to share award on 9 July 2016, equity interest in Ascletis BioScience was granted to a selected employee at consideration of RMB100,000 and the earliest vesting date is 9 July 2021. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

Pursuant to share award on 21 December 2016, equity interest in Ascletis BioScience was granted to 5 selected employees at consideration of RMB319,000 and the earliest vesting date is 21 December 2021. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

Pursuant to share award on 25 June 2017, equity interest in Ascletis BioScience was granted to 19 selected employees at consideration of RMB486,000 and the earliest vesting date is 25 June 2022. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

Pursuant to share award on 18 December 2017, equity interest in Ascletis BioScience was granted to 67 selected employees at consideration of RMB2,750,000 and the earliest vesting date is 18 December 2022. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

During the years ended 31 December 2016 and 2017 and the three months ended 31 March 2017 and 2018, share award expense of nil, RMB1,163,000, RMB231,000 and RMB820,000, respectively, was charged to the consolidated statements of profit or loss.

26. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	As at 31 December		As at 31 March
	2016	*2017*	*2018*
Percentage of equity interest held by non-controlling interests:			
Ascletis BioScience	31.58%	33.39%	26.14%

	As at 31 December		As at 31 March
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year/period allocated to non-controlling interests:			
Ascletis BioScience	(5,066)	(32,996)	(12,487)
Accumulated balances of non-controlling interests at the reporting date:			
Ascletis BioScience	136,725	272,870	202,596

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	31 December		31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue	(7,151)	33,032	8,256
Total expenses	(18,272)	(131,970)	(51,422)
Loss for the year/period	(25,423)	(98,938)	(43,166)
Total comprehensive loss for the year/period	(25,423)	(98,938)	(43,166)
Current assets	465,697	816,024	754,811
Non-current assets	49,825	98,253	99,991
Current liabilities	(53,238)	(74,861)	(57,690)
Non-current liabilities	(29,336)	(22,195)	(22,070)
Net cash flows from/(used in) operating activities	(25,753)	292,003	(64,789)
Net cash flows from/(used in) investing activities	(6,998)	(644,542)	170,526
Net cash flows from financing activities	—	481,795	—
Net increase/(decrease) in cash and cash equivalents	(32,751)	129,256	105,737

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest payable
	RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017	317
Changes from financing cash flows	(317)
At 31 December 2017, 1 January 2018 and 31 March 2018	—

28. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its properties and warehouse under operating lease arrangements. Leases for properties and warehouse are negotiated for terms ranging from one to four years. At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,681	1,961	1,744
In the second to third years, inclusive	2,577	2,843	2,874
After three years	2,027	1,050	704
	6,285	5,854	5,322

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 31 March
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Plant and machinery	29,164	1,769	270

30. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods and the three months ended 31 March 2017:

		Year ended 31 December		Three months ended 31March	
	Note	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Loans to a supervisor:					
Heying YANG	(i)	4,340	—	—	—
Receipt of repayment of loans to a supervisor:					
Heying YANG	(i)	—	4,340	—	—
Interest income from a supervisor:					
Heying YANG	(i)	—	69	—	—

Note:

(i) The loans to a supervisor were unsecured, bore interest at 4.35% per annum and repayable on demand.

(b) Outstanding balances with related parties:

	As at 31 December		As at 31 March
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Due from a related party:			
Heying YANG	4,340	—	—
Due to a director:			
Jinzi Jason WU.....	100	—	—
Due to related parties:			
Zanfang	—	—	4,986
Zande	—	—	2,199
Zanwei	—	—	1,099
Zanqin	—	—	1,099
	—	—	9,383

The outstanding balances are unsecured, interest-free and have no fixed terms of repayment except for the amount due from a related party with an interest at 4.35% per annum.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		Three months ended 31 March	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Short term employee benefits	4,949	5,376	673	1,193
Equity-settled share award expense	—	364	89	137
Pension scheme contributions	131	213	54	57
Total compensation paid to key management personnel	5,080	5,953	816	1,387

Further details of directors' and the chief executive's remuneration are included in note 7 to the Historical Financial Information.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

As at 31 December 2016

Financial assets

	Financial assets at amortised cost	**Financial assets at fair value through profit or loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	5,971	—	5,971
Financial assets at fair value through profit or loss	—	5,610	5,610
Cash and cash equivalents	418,973	—	418,973
	424,944	5,610	430,554

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	12,767	12,767
	12,767	12,767

As at 31 December 2017

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	8,713	—	8,713
Financial assets at fair value through profit or loss	—	143,831	143,831
Pledged time deposits	4,108	—	4,108
Cash and cash equivalents	607,367	—	607,367
	620,188	143,831	764,019

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Trade and bills payables	12,967	12,967
Financial liabilities included in other payables and accruals	25,876	25,876
	38,843	38,843

As at 31 March 2018

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	6,600	—	6,600
Financial assets at fair value through profit or loss	—	122,414	122,414
Cash and cash equivalents	526,022	—	526,022
	532,622	122,414	655,036

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Trade and bills payables	1,657	1,657
Financial liabilities included in other payables and accruals	42,541	42,541
	44,198	44,198

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values

All the carrying amounts of the Group's financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, financial assets included in prepayments, deposits and other receivables, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At 31 December 2016 and 2017 and 31 March 2018, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Investments in financial products.....	—	5,610	—	5,610
	—	5,610	—	5,610

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Investments in financial products.....	—	143,831	—	143,831
	—	143,831	—	143,831

As at 31 March 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Investments in financial products.....	—	122,414	—	122,414
	—	122,414	—	122,414

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2017 and 31 March 2018.

During the Relevant Periods and the three months ended 31 March 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk and liquidity risk. The directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
31 December 2016			
If RMB weakens against US$	5	13	13
If RMB strengthens against US$	(5)	(13)	(13)
31 December 2017			
If RMB weakens against US$	5	29,339	29,339
If RMB strengthens against US$	(5)	(29,339)	(29,339)
31 March 2018			
If RMB weakens against US$	5	159,683	159,683
If RMB strengthens against US$	(5)	(159,683)	(159,683)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2016				
	On demand	Less than 1 month	1 to less than 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	12,767	—	—	—	12,767
	12,767	—	—	—	12,767

	As at 31 December 2017				
	On demand	**Less than 1 month**	**1 to less than 12 months**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	4,130	8,837	—	—	12,967
Financial liabilities included in other payables and accruals	25,876	—	—	—	25,876
	30,006	8,837	—	—	38,843

	As at 31 March 2018				
	On demand	**Less than 1 month**	**1 to less than 12 months**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	—	1,657	—	—	1,657
Financial liabilities included in other payables and accruals	42,541	—	—	—	42,541
	42,541	1,657	—	—	44,198

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

34. EVENTS AFTER THE RELEVANT PERIODS

(a) The non-controlling shareholders, CBC Investment Twelve Limited ("CBC 12"), CBC Investment Fifteen Limited ("CBC 15") Broad Street Investments Holding (Singapore) Pte. Ltd. ("BSIH"), MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. ("MBD"), Tasly International Capital Limited ("**Tasly**"), Shunda Machinery Co., Limited ("Shunda") and Qianhai Ark (Cayman) Investment Co., Limited ("Qianhai Cayman") entered into a share subscription agreement with the Company, PowerTree, Jinzi Jason WU, JJW 11 Limited, Ascletis BioScience and Ascletis Pharmaceuticals for the purpose of subscription of shares of the Company at an aggregate purchase consideration of RMB74,217,080, RMB68,202,829, RMB40,103,230, RMB8,506,829, RMB18,600,520, RMB6,200,173 and RMB24,800,694, respectively. The amount of consideration payable by CBC 12, CBC 15, BSIH and MBD was offset by the consideration payable to each of them in (b) below and the amount of consideration payable by the remaining non-controlling shareholders was fully settled by cash on 4 April 2018.

(b) PowerTree entered into an equity transfer agreement with the non-controlling shareholders, BSHI, MBD, CBC 12 and CBC 15, pursuant to which PowerTree purchased all equity interest held by them in Ascletis BioScience for a consideration of RMB40,103,230, RMB8,506,829, RMB68,202,829 and RMB74,217,070, respectively. The amount of consideration was equivalent to the consideration payable by BSIH, MBD, CBC 12 and CBC 15 in (a) above and was offset by the consideration payable by them in (a) as described above.

(c) PowerTree entered into an equity transfer agreement with the non-controlling shareholders, Tianjin Kangshige Medical Science and Technology Development LLP ("Kangshige") and Qianhai Private Equity Fund (LLP) ("Qianhai"), pursuant to which PowerTree purchased all equity interest held by Kangshige and Qianhai in Ascletis BioScience for a cash consideration of RMB24,800,694 and RMB24,800,694, respectively. The amount of consideration was equivalent to the cash contributions made by Tasly and Shunda (two limited partners of Kangshige) and Qianhai Cayman in the Company in (a) as described above.

The above transactions were completed on 8 April 2018, the date that the updated business license of Ascletis BioScience reflecting the changes was issued.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 March 2018.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 February 2014 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [date]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of Shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified 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 general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a

corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) **Alteration of capital**

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date 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; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(iv) **Transfer of shares**

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) **Power of the Company to purchase its own shares**

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) **Calls on shares and forfeiture of shares**

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) **Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the

members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) **Power to allot and issue shares and warrants**

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any

shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) **Borrowing powers**

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board 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 among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. 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.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) **Compensation or payments for loss of office**

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) **Loans and provision of security for loans to Directors**

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) **Disclosure of interest in contracts with the Company or any of its subsidiaries**

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) **Special and ordinary resolutions**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman 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.

An "ordinary resolution", by contrast, is 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 members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) **Voting rights and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(iv) **Notices of meetings and business to be conducted**

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) **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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an

annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members 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 Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members 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.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are 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 in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman 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

The Company was incorporated in the Cayman Islands as an exempted company on 25 February 2014 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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 authorized share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. 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". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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 should be wound up.

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 should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from [Date].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(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. There is 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 member, 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 (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman 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 sixty (60) days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the 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 has 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, 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 determined 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 the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts 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.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on February 25, 2014. Our registered office address is at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of Cayman Islands. A summary of our Memorandum and Articles is set out in the section headed "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix III to this Document.

Our registered place of business in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 14, 2018 with the Registrar of Companies in Hong Kong. Mr. Lok Kwan YIM has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

As at the date of this Document, our Company's head office is located as at Floor 18, Bldg No.4, Gemini International, No. 1785, Jianghan Road, Binjiang District, Hangzhou, PRC.

2. Changes in Share Capital

On February 25, 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of the Company's incorporation, the authorized share capital of the Company was divided into 500,000,000 Shares with par value of US$0.0001 each. Immediately after its incorporation, 15,000,000 Shares were allotted and issued to Dr. Wu.

On September 9, 2015 1,000,000 Series A-1 Preferred Shares were allotted and issued to CBC 7.

On September 22, 2015, 750,000 Series A-2 Preferred Shares were allotted and issued to CBC 7.

On November 1, 2015, 618,750 and 131,250 Series A-3 Preferred Shares were allotted and issued to BSIH and MBD, respectively.

On November 6, 2015, Dr. Wu transferred 206,250 and 43,750 Shares to BSIH and MBD, respectively.

On September 26, 2016, 825,000 and 175,000 Preferred Shares held by CBC 7, BSIH and MBD were repurchased by the Company, respectively.

On March 30, 2018, our authorized share capital, being US$50,000, was divided into 494,211,301 Shares, 2,805,613 Series A Preferred Shares and 2,983,086 Series B Preferred Shares with par value of US$0.0001 each.

On March 30, 2018, 1,603,994 Shares were allotted and issued to JJW11 Limited, 1,020,225 Series A-1 and 765,163 Series A-2 Preferred Shares were allotted and issued to CBC 15, 841,688 Series A-3 and 123,047 Series B Preferred Shares were allotted and issued to BSIH, 178,537 Series A-3 and 26,106 Series B Preferred Shares were allotted and issued to MBD and 1,640,707, 447,460, 149,153 and 596,613 Series B Preferred Shares were allotted and issued to CBC 12, Tasly, Shunda and Qianhai Cayman, respectively.

See "History, Reorganization and Corporate Structure — Pre-[REDACTED] Reorganization" in this Document for details of the Pre-[REDACTED] Reorganization.

See "Share Capital" in this Document for details of our share capital following completion of the Capitalization Issue and the [REDACTED].

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

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 1 of Section II to the Accountant's Report in Appendix I to this Document.

The following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this Document:

PowerTree

On March 30, 2018, one new Share was allotted and issued to the Company. Upon completion of such share allotment and issue, the Company in total held 101 Shares of PowerTree.

Ascletis Pharma (China)

On March 15, 2018, Ascletis Pharma (China) was incorporated in Hong Kong with limited liability. As at the date of its incorporation, the total issued share capital of Ascletis Pharma (China) was HK$100 divided into 100 shares with par value of HK$1.00 each, and were allotted and issued to PowerTree.

Ascletis BioScience

On April 1, 2016, the registered capital of Ascletis BioScience was reduced from US$15,000,000 to US$7,500,000.

On April 25, 2016, the registered capital of Ascletis BioScience was increased from US$7,500,000 to US$12,500,000.

On August 1, 2016, the registered capital of Ascletis BioScience was increased from US$12,500,000 to US$12,812,220.

On August 16, 2016, the registered capital of Ascletis BioScience was increased from US$12,812,220 to US$14,874,218.

On September 12, 2016, the registered capital of Ascletis BioScience was increased from US$14,874,218 to US$17,484,389.

On December 21, 2016, the registered capital of Ascletis BioScience was increased from US$17,484,389 to US$20,461,398.

On February 3, 2017, the registered capital of Ascletis BioScience was increased from US$20,461,398 to US$20,600,162.

Ascletis Pharmaceuticals

On October 20, 2016, the registered capital of Ascletis Pharmaceuticals was increased from RMB73,360,000 to RMB106,597,000.

On February 8, 2017, the registered capital of Ascletis Pharmaceuticals was increased from RMB106,597,000 to RMB146,597,000.

On April 13, 2017, the registered capital of Ascletis Pharmaceuticals was increased from RMB146,597,000 to RMB186,597,000.

On August 2, 2017, the registered capital of Ascletis Pharmaceuticals was increased from RMB186,597,000 to RMB226,597,000.

On March 13, 2018, the registered capital of Ascletis Pharmaceuticals was increased from RMB226,597,000 to RMB256,597,000.

Ascletis Biopharma

On April 19, 2018, Ascletis Biopharma was established in the PRC as a limited liability company. As at the date of its establishment, its registered capital was RMB30,000,000.

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 Document.

Save for the subsidiaries mentioned in the Accountant's Report set out in Appendix I to Document, our Company has no other subsidiaries as of the Latest Practicable Date.

4. Resolutions in Writing of Our Shareholders Passed on [●], 2018

(i) Pursuant to written resolutions of the Shareholders of our Company [passed on] [●], 2018:

(a) our Company approved and adopted the Memorandum of Association and Articles, which will come into effect upon the [REDACTED];

(b) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval for the [REDACTED] of, and permission to deal in the Shares in issue and the Shares to be issued pursuant to the Capitalization Issue, the [REDACTED] and the exercise of the [REDACTED]; and (ii) the obligations of the [REDACTED] under the [REDACTED] Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the [REDACTED]) (on behalf of the [REDACTED])) and the [REDACTED] Agreements not being terminated in accordance with their terms or otherwise:

(1) the [REDACTED] was approved and our Directors were authorized to effect the same and to [REDACTED] and [REDACTED] the new Shares pursuant to the [REDACTED];

(2) the proposed [REDACTED] of the Shares on the Stock Exchange as mentioned in this Document was approved and our Directors were authorized to implement such [REDACTED];

(3) the [REDACTED] was approved and the Directors were authorized to effect the same and to [REDACTED] and [REDACTED] up to [REDACTED] Shares upon the exercise of the [REDACTED]; and

(c) a general unconditional mandate was granted to our Directors to, inter alia, issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant [REDACTED], agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors shall not exceed the aggregate of:

(1) [●]% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]); and

(2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The total nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:

(1) a rights issue;

(2) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; or

(3) any specific authority granted by the Shareholders in general meeting.

This general mandate to issue Shares will expire at the earliest of:

(1) the conclusion of our next annual general meeting;

(2) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(3) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (excluding Shares which may be [REDACTED] and [REDACTED] upon the exercise of the [REDACTED]). This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules and all applicable laws. Such mandate will expire at the earliest of:

(1) the conclusion of our next annual general meeting;

(2) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(3) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

(e) the general unconditional mandate as mentioned in paragraph (c) 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 (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED], excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]).

5. RSU Scheme

Summary of Terms

JJW11 Limited, being the offshore share incentive platform, has adopted an RSU Scheme by a resolution of its sole shareholder on May 8, 2018. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(i) *Purposes of the RSU Scheme*

The purpose of the RSU Scheme is to recognize and reward grantees for their contribution to the Group, to attract suitable personnel, and to provide incentives to them to remain with and further contribute to the Group.

(ii) *Awards*

An award of RSUs under the RSU Scheme ("**Award(s)**") gives an RSU Participant (as defined below) a conditional right upon vesting of the Award to obtain an equivalent value in cash with reference to the value of the Shares underlying such Award held by JJW11 Limited on a date of sale ("**Date of Sale**") (being a date that the RSU Administrator (as defined below) determines to conduct on-market sale of such Shares once every financial year pursuant to the RSU Scheme), less any tax, fees, levies, stamp duty and other applicable charges.

(iii) *RSU Scheme Limit*

Unless otherwise duly approved by the Shareholders, the total number of Shares underlying the Awards to be granted under the RSU Scheme shall be 48,751,431 Shares, being the number of Shares held by JJW11 Limited upon completion of the Capitalization Issue.

(iv) *RSU Participants in the RSU Scheme*

Participants of the RSU Scheme ("**RSU Participants**") include the following:

(a) employees (including director, supervisor, chief executive officer, vice president, financial controller, secretary to the board of directors and members of senior management or key technical personnel) of the Group; and

(b) any other person or entity, who or which has contributed or will contribute to any member of the Group.

(v) *Administration of the RSU Scheme*

The RSU Scheme shall be subject to the administration of the sole director of JJW11 Limited (or any person duly authorized for this purpose) (the "**RSU Administrator**"). The RSU Administrator shall have the sole and absolute right to (1) determine the persons who will be granted Awards under the RSU Scheme; (2) approve the cancellation, transfer or repurchase of the granted RSUs; (3) conduct on-market sale of or otherwise dispose of the Shares underlying the granted RSUs pursuant to the RSU Scheme; (4) interpret, construe and amend the terms of the RSU Scheme and/or other relevant documents to be executed for grant and vesting of RSUs; (5) exercise voting rights of the Shares held by JJW11 Limited underlying the RSUs granted under the RSU Scheme; and (6) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Scheme. All decisions, determinations and interpretations made by the RSU Administrator shall be final, conclusive and binding on all parties.

(vi) *Grant of RSU*

On and subject to the terms of the RSU Scheme, the RSU Administrator shall be entitled at any time to make an offer of an Award in accordance with the RSU Scheme (a "**Grant**") to any Participant, as the RSU Administrator may in its absolute discretion determine. The Grant shall be in the form of an agreement signed by the RSU Administrator setting forth the terms and conditions of the Grant including the amount of Award and the consideration payable by such RSU Participant if he/she chooses to accept the Grant.

For any RSU Participant who had subscribed for equity interest in the PRC Share Incentive Entities, the amount of the Award would be determined based on his/her previous interest in such PRC Share Incentive Entities. For any new RSU Participant, the amount of an Award may be determined at the sole and absolute discretion of the RSU.

For any RSU Participant who had subscribed for equity interest in the PRC Share Incentive Entities, the consideration payable would be determined based on the amount of subscription price previously paid by him/her to such PRC Share Incentive Entities. For any new RSU Participant, the consideration payable by selected RSU Participant shall be determined at the sole and absolute discretion of the RSU Administrator.

(vii) *Acceptance of Award*

If the selected RSU Participant intends to accept the Grant, he/she is required to counter-sign the said agreement, and return it to the RSU Administrator within the time period and in the manner as notified to them. Upon the RSU Administrator's receipt from the selected RSU Participant of a duly executed agreement and the full payment of consideration, the relevant RSUs shall be granted to such RSU Participant, and such Participant shall become a grantee pursuant to the RSU Scheme (the "**Grantee**").

(viii) *Restrictions on Grants*

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any selected RSU Participant at a time when the selected RSU Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or laws.

Upon completion of the [REDACTED], a Grant must not be made after inside information has come to the knowledge of the Company until such inside information has been announced 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 the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Award may be granted. Such period will cover any period of delay in the publication of a results announcement.

(ix) *Grant to Directors*

Upon completion of the [REDACTED], where any Award is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published or during the periods of:

(a) the shorter of: (1) 60 days immediately preceding the publication date of the annual results, or (2) the period from the end of the relevant financial year up to the publication date of the results; and

(b) the shorter of: (1) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results, or (2) the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(x) *Grant to Connected Persons*

Upon completion of the [REDACTED], any Grant to any Director, chief executive officer or substantial shareholder of the Company, or any of their respective associates (as defined under the Listing Rules), shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed Grantee of the Awards in question) and shall be subject to compliance with the requirements of the Listing Rules.

Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.95 of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his service contract.

(xi) *Rights attached to Awards*

The RSUs do not carry any right to vote at general meetings of the Company or JJW11 Limited. No Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an Award pursuant to the RSU Scheme.

(xii) *Rights attached to Shares*

The Shares underlying the RSUs granted under the RSU Scheme held by JJW11 Limited shall rank pari passu in all respects with the other fully paid Shares in issue.

(xiii) *Transferability of Awards*

Any Award granted pursuant to the RSU Scheme shall be personal to the Grantee and shall not be assignable or transferable, except that under certain exceptional circumstances the Award could be transferred by the Grantee (or in the case of death of the Grantee, by his/her heir) to a person or entity approved or designated by the RSU Administrator.

(xiv) *Vesting*

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSUs granted in an Award shall be subject to the following vesting schedule:

(a) a Grantee shall be entitled to procure the RSU Administrator to conduct on-market sale of up to 60% of the Shares underlying the Award on the Date of Sale immediately following the third anniversary of the Relevant Date (as defined below);

(b) a Grantee shall be entitled to procure the RSU Administrator to conduct on-market sale of up to 80% of the Shares underlying the Award on the Date of Sale immediately following the fourth anniversary of the Relevant Date (as defined below); and

(c) a Grantee shall be entitled to procure the RSU Administrator to conduct on-market sale of all Shares underlying the Award on any Date of Sale following the fifth anniversary of the Relevant Date (as defined below).

For the purpose of this paragraph, the "Relevant Date" in respect of a Grantee means the earliest of: (a) the date of execution by the Grantee of the grant agreement as described in paragraph (vii) above; (b) the date of execution by the Grantee of any agreement of a similar nature with any member of our Group; or (c) with written consent of the Company, the date of execution of employment agreement by the Grantee with any member of our Group. No RSUs granted will be vested on or before the [REDACTED].

Subject to the execution of all necessary documents by the Grantee, upon vesting of the RSUs pursuant to the schedule above, the Grantee may direct and procure the RSU Administrator to conduct on-market sale of the Shares underlying the vested RSUs and after deduction or withholding of any tax, fees, levies, stamp duty and other charges applicable to the entitlement of the Grantee credit the proceeds from such sales (as adjusted pursuant to the terms of the RSU Scheme, where applicable) to the Grantee.

For the purpose of this Scheme, a Date of Sale shall not be any date within any period as referred to in paragraphs (viii) and (ix) above, or any other period when the Grantee or the RSU Administrator would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable laws, regulations or rules.

The RSU Administrator shall have the sole and absolute discretion to determine whether or not a Grantee shall have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award prior to and after vesting of the Award.

(xv) *Lapse and Repurchase of RSU*

All RSUs (whether vested or not) granted to a Grantee shall be repurchased by JJW11 Limited and cancelled within five days after the occurrence of any of the following events:

(a) any of the events set forth in Clause 9 of the RSU Scheme, including (1) the Grantee leaking commercial and/or technical secrets of any member of our Group; (2) the Grantee being subject to any criminal investigation; (3) the Grantee committing any other conduct that seriously jeopardize the interests of any member of our Group; and (4) any other event that entitle the employer to unilaterally terminate the employment agreement under applicable laws and regulations or the internal regulation of any member of our Group;

(b) death or incapacity of the Grantee; and

(c) the employment agreement of the Grantee with any member of our Group being terminated for any reason other than those stated in paragraphs (a) and (b).

The repurchase price shall be determined pursuant to the relevant terms of the RSU Scheme and shall be with reference to factors including amount of consideration paid by the Grantee for such RSUs, the period for which the Grantee holds such RSUs and the service period of the Grantee.

(xvi) *Amendment of the RSU Scheme*

The RSU Administrator shall have the right to construe and amend the provisions of the RSU Scheme and/or other relevant documents to be executed for grant and vesting of RSUs.

6. Reorganization

The companies comprising our Group underwent the Pre-[REDACTED] Reorganization in preparation for the [REDACTED] of the Shares on the Hong Kong Stock Exchange. Please refer to the section headed "History, Reorganization and Corporate Structure" in this Document for further details.

7. Particulars of Our Subsidiaries

Particulars of our subsidiaries are set out at Note 1 of Section II to the Accountants' Report in Appendix I to this Document.

8. Restriction on Share Repurchase

(i) ***Provisions of the Hong Kong Listing Rules***

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Shareholders of our Company on [●], a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(c) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Hong Kong 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 Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong 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 Hong Kong 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 Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(d) *Status of Repurchased Shares*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of 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 (ii) 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) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

(e) *Reporting Requirements*

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the 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 purchase, where relevant, and the aggregate prices paid.

(f) *Core Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(ii) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(iii) ***Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback 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 our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this Document in the event that the Buyback Mandate is exercised in full.

(iv) ***Share capital***

Exercise in full of the Buyback Mandate, on the basis of [●] Shares in issue immediately after the [REDACTED] (but not taking into account our Shares which may be issued pursuant to the exercise of the [REDACTED]), could accordingly result in up to [●] Shares being repurchased by our Company during the period until:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(c) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(v) ***General***

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by the Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the [REDACTED] and the Capitalization Issue (but not taking into account our Shares which may be issued pursuant to the exercise of the [REDACTED]), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be [●] Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately [●]% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, under the circumstances, there would be insufficient public float.

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) have been entered into by us or any of our subsidiaries within the two years preceding the date of this Document that are or may be material:

(i) a share repurchase agreement dated August 26, 2016, entered into among CBC 7, BSIH, MBD and the Company, pursuant to which the Company repurchased 1,000,000 Series A-1 Preferred Shares and 750,000 Series A-2 Preferred Shares from CBC 7, 825,000 Series A-3 Preferred Shares from BSIH and 175,000 Series A-3 Preferred Shares from MBD respectively, for a consideration of US$23,160,997, US$10,918,756 and US$2,316,100, respectively;

(ii) an equity interest subscription agreement dated August 26, 2016, entered into among PowerTree, the PRC Share Incentive Entities, CBC 15, BSIH, MBD and Ascletis BioScience, pursuant to which CBC 15, BSIH and MBD subscribed for 9.50%, 4.48% and 0.95% equity interest in Ascletis BioScience for a consideration of US$23,160,997, US$10,918,756 and US$2,316,000, respectively;

(iii) an equity interest subscription agreement dated December 16, 2016, entered into among PowerTree, the PRC Share Incentive Entities, CBC 15, CBC 12, Kangshige, Qianhai and Ascletis BioScience, pursuant to which CBC 12, Kangshige and Qianhai subscribed for approximately 6.10%, 2.17% and 2.17% equity interest in Ascletis BioScience for a cash consideration of US$45 million, US$20 million and US$20 million, respectively;

(iv) an equity transfer agreement dated January 3, 2017, entered into among PowerTree, the PRC Share Incentive Entities and CBC 12, pursuant to which CBC 12 purchased approximately 1.36% equity interest in Ascletis BioScience from PowerTree for a cash consideration of US$10 million;

(v) an equity interest subscription agreement dated January 24, 2017, entered into among PowerTree, the PRC Share Incentive Entities, BSIH, MBD and Ascletis BioScience, pursuant to which BSIH and MBD subscribed for approximately 0.56% and 0.12% equity interest in Ascletis BioScience for a cash consideration of US$4,124,989 and US$875,011, respectively;

(vi) a share subscription agreement dated March 30, 2018, entered into among CBC 12, CBC 15, BSIH, MBD, Tasly, Shunda, Qianhai Cayman, the Company, PowerTree, Dr. Wu, JJW11 Limited, Ascletis BioScience and Ascletis Pharmaceuticals, pursuant to the agreement and subject to certain conditions, 1) CBC 15 subscribed for 1,020,225 Series A-1 Preferred Shares and 765,163 Series A-2 Preferred Shares for an aggregate purchase price of RMB74,217,070.44; 2) CBC 12 subscribed for 1,640,707 Series B Preferred Shares for an aggregate purchase price of RMB68,202,828.54; 3) BSIH subscribed for 841,688 Series A-3 Preferred Shares and 123,047 Series B Preferred Shares for an aggregate purchase price of

RMB40,103,230.05; 4) MBD subscribed for 178,537 Series A-3 Preferred Shares and 26,106 Series B Preferred Shares for an aggregate purchase price of RMB8,506,829.44; 5) Tasly subscribed for 447,460 Series B Preferred Shares for an aggregate purchase price of RMB18,600,520.39; 6) Shunda subscribed for 149,153 Series B Preferred Shares for an aggregate purchase price of RMB6,200,173.46 and 7) Qianhai Cayman subscribed for 596,613 Series B Preferred Shares for an aggregate purchase price of RMB24,800,693.85;

(vii) an equity transfer agreement dated March 30, 2018, entered into among PowerTree, BSIH and MBD, pursuant to which PowerTree purchased approximately 4.36% and 0.92% equity interest held by BSIH and MBD in Ascletis BioScience for a consideration of RMB40,103,230.05 and RMB8,506,829.44, respectively;

(viii) an equity transfer agreement dated March 30, 2018, entered into among PowerTree, CBC 12 and CBC 15, pursuant to which PowerTree purchased approximately 7.41% and 8.06% equity interest held by CBC 12 and CBC 15 in Ascletis BioScience for a consideration of RMB68,202,828.54 and RMB74,217,070.44, respectively;

(ix) an equity transfer agreement dated March 30, 2018, entered into between PowerTree and Kangshige, pursuant to which PowerTree purchased approximately 2.70% equity interest held by Kangshige in Ascletis BioScience for a cash consideration of RMB24,800,693.85;

(x) an equity transfer agreement dated March 30, 2018, entered into between PowerTree and Qianhai, pursuant to which PowerTree purchased approximately 2.70% shares held by Qianhai in Ascletis BioScience in cash consideration of RMB24,800,693.85;

(xi) [the Non-Compete Undertaking]; and

(xii) [REDACTED].

2. Intellectual Property Rights of Our Group

(i) *Trademarks*

As at the Latest Practicable Date, our Group have registered the following trademarks in the PRC, which we consider to be or may be material to our business:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
1		13006166	5	Ascletis BioScience	PRC	January 7, 2015	January 6, 2025	Valid

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date	Status
2	ASCLEVIR	18313128	5	Ascletis Pharmaceuticals	PRC	December 21, 2016	December 20, 2026	Valid
3		18313130	5	Ascletis Pharmaceuticals	PRC	December 21, 2016	December 20, 2026	Valid
4	新力莱	18313516	5	Ascletis Pharmaceuticals	PRC	December 21, 2016	December 20, 2026	Valid
5	戈诺卫	18313517	5	Ascletis Pharmaceuticals	PRC	December 21, 2016	December 20, 2026	Valid
6	柏力赞	18313518	5	Ascletis Pharmaceuticals	PRC	December 21, 2016	December 20, 2026	Valid
7	GANOVO	18313519	5	Ascletis Pharmaceuticals	PRC	December 21, 2016	December 20, 2026	Valid
8	ASCTIN	18313520	5	Ascletis Pharmaceuticals	PRC	December 21, 2016	December 20, 2026	Valid

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks in Hong Kong, which we consider to be or may be material to our business:

No.	Trademark	Application Number	Class	Name of Applicant	Intended Place of Registration	Date of Application	Status
1	(A) 	304484269	5	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
	(B) 						
2	(A) 戈诺卫	304484278	5	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
	(B) 戈諾衛						
3	柏力赞	304484250	5	Ascletis BioScience	Hong Kong	April 6, 2018	Pending

No.	Trademark	Application Number	Class	Name of Applicant	Intended Place of Registration	Date of Application	Status
4	GANOVO	304484287	5	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
5	ASCTIN	304484296	5	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
6	(A) 歌礼 (B) 歌禮	304484241	5,35, 42,44	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
7		304484304	5	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
8	ascletis	304484313	5	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
9	歌禮製藥(中國)有限公司 Ascletis Pharma (China) Co., Limited	304484232	5,35, 42,44	Ascletis BioScience	Hong Kong	April 6, 2018	Pending
10	(A) 新力萊 (B) 新力萊	304489020	5	Ascletis BioScience	Hong Kong	April 11, 2018	Pending

(ii) ***Patent***

As at the Latest Practicable Date, our Group have registered the following patents in the PRC, which we consider to be or may be material to our business:

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
1	Macrocyclic carboxylic acids and acyl sulfonamides as HCV replication inhibitors (作為HCV複製抑制劑的巨環羧酸和醯基磺醯胺)	Invention	ZL200480035412.3	Ascletis Pharmaceuticals	PRC	October 13, 2004	Valid
2	Macrocyclic compound preparation method (大環化合物的製備方法)	Invention	ZL200880122035.5	Ascletis Pharmaceuticals	PRC	December 11, 2008	Valid

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
3	Method for preparing macrocyclic compound (製備大環的方法)	Invention	ZL200980130363.4	Ascletis Pharmaceuticals	PRC	July 28, 2009	Valid
4	Inhibitors of HCV NS5A (HCV NS5A的抑制劑)	Invention	ZL200980154543.6	Ascletis BioScience	PRC	December 2, 2009	Valid

As at the Latest Practicable Date, our Group has applied for the grant of the following patents which we consider to be or may be material to our business:

No.	Patent	Type	Application Number	Name of Applicant	Intended Place of Registration	Date of Application	Status
1	Method for preparing hepatitis C therapeutic drug Ravidasvir (丙肝治療藥物Ravidasvir的製備方法)	Invention	2017104518210	Ascletis BioScience	PRC	June 15, 2017	Pending
2	Method of preparing danoprevir crystalline structure (丹諾瑞韋鈉晶體及其製備方法)	Invention	2017105953996	Ascletis Pharmaceuticals	PRC	July 20, 2017	Pending
3	Pharmaceutical composition for treating hepatitis C virus (用於治療丙型病毒性肝炎的藥物組合物)	Invention	2018101060099	Ascletis BioScience	PRC	February 2, 2018	Pending
4	Pharmaceutical composition for treating hepatitis C virus (用於治療丙型病毒性肝炎的藥物組合物)	Patent Cooperation Treaty	PCT/CN2018/075916	Ascletis BioScience	International patent application under the PCT	February 9, 2018	Pending
5	Method of preparing danoprevir crystalline structure (丹諾瑞韋鈉晶體及其製備方法)	PCT	PCT/CN2018/075917	Ascletis Pharmaceuticals	International patent application under the PCT	February 9, 2018	Pending
6	Method for preparing hepatitis C therapeutic drug Ravidasvir (丙肝治療藥物Ravidasvir的製備方法)	PCT	PCT/CN2018/075918	Ascletis BioScience	International patent application under the PCT	February 9, 2018	Pending

(iii) ***Domain names***

As at the Latest Practicable Date, our Group has registered the following domain names in the PRC, Hong Kong and the United States, which we consider to be or may be material to our business:

No.	Domain Name	Name of Registered Proprietor	Place of Registration	Expiry Date
1	gelipharma.com	Ascletis BioScience	PRC	September 9, 2019
2	gelipharma.cn	Ascletis BioScience	PRC	September 9, 2019
3	gelipharma.net	Ascletis BioScience	PRC	September 9, 2019
4	gelipharma.com.cn	Ascletis BioScience	PRC	September 9, 2019
5	ascletis.net.cn	Ascletis BioScience	PRC	September 9, 2019
6	ascletis.com.cn	Ascletis BioScience	PRC	February 28, 2021
7	ascletis.cn	Ascletis BioScience	PRC	February 28, 2021
8	curehcv.cn	Ascletis Pharmaceuticals	PRC	November 6, 2020
9	curehcv.net	Ascletis Pharmaceuticals	PRC	November 6, 2020
10	curehcv.com	Ascletis Pharmaceuticals	PRC	November 6, 2020
11	curehcv.com.cn	Ascletis Pharmaceuticals	PRC	November 6, 2020
12	asctin.com	Ascletis Pharmaceuticals	PRC	November 3, 2020
13	asctin.cn	Ascletis Pharmaceuticals	PRC	November 3, 2020
14	asctin.com.cn	Ascletis Pharmaceuticals	PRC	November 3, 2020
15	ganovo.com.cn	Ascletis Pharmaceuticals	PRC	November 3, 2020
16	ganovo.com	Ascletis Pharmaceuticals	PRC	November 3, 2020
17	ganovo.cn	Ascletis Pharmaceuticals	PRC	November 3, 2020
18	asclevir.com.cn	Ascletis Pharmaceuticals	PRC	November 3, 2020
19	asclevir.com	Ascletis Pharmaceuticals	PRC	November 3, 2020
20	asclevir.cn	Ascletis Pharmaceuticals	PRC	November 3, 2020
21	ascletis.com.hk	Ascletis Pharma (China)	Hong Kong	November 6, 2023
22	ascletis.hk	Ascletis BioScience	Hong Kong	July 6, 2023
23	ascletis.com	Ascletis BioScience	The United States	October 10, 2026
24	ascletis.net	Ascletis BioScience	The United States	October 10, 2026
25	ascletis.org	Ascletis BioScience	The United States	October 10, 2026

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(i) ***Disclosure of Interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations***

Immediately following completion of the [REDACTED] and the Capitalization Issue and assuming that the [REDACTED] is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are [REDACTED] will be as follows:

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of interest in the Company immediately after the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised)
Dr. Wu	Beneficial owner	[REDACTED]	[REDACTED]%
Mrs. Wu	Beneficiary of a trust(1)	[REDACTED]	[REDACTED]%
Mr. Wei FU(2)	Interest in controlled corporations	[REDACTED]	[REDACTED]%

Notes:

(1) Mrs. Wu is the manager of Lakemont who exercises the voting rights of the Shares held by the Family Trust and a beneficiary of the Family Trust. For details of the Family Trust, see "History, Reorganization and Corporate Structure — Pre-[REDACTED] Reorganization — Corporate Structure Immediately After the Pre-[REDACTED] Reorganization".

(2) As of the Latest Practicable Date, our Company was held as to approximately 7.41% by CBC 12. Each of CBC Investment Ascletis Limited (as the sole shareholder of CBC 12), CBC 11 (holding approximately 72.7% equity interest in CBC 12), C-Bridge Healthcare Fund II. L.P. (as the sole shareholder of CBC 11),

C-Bridge Healthcare Fund GP II. L.P. (as general partner of C-Bridge Healthcare Fund II. L.P.), C-Bridge Capital GP. Ltd., (as general partner of C-Bridge Healthcare Fund GP II. L.P.), TF Capital, Ltd. (holding approximately 38.3% equity interest in C-Bridge Capital GP. Ltd.), Kang Hua Investment Company Limited (holding approximately 52.2% equity interest in TF Capital, Ltd.), Dan YANG (as the sole shareholder of Kang Hua Investment Company Limited) and Wei Fu (holding approximately 47.8% equity interest in TF Capital, Ltd.) is deemed to be interested in the Shares held by CBC 12 under the SFO.

(ii) ***Particulars of service agreements and letters of appointment***

(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company on [●], 2018. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board until the third annual general meeting of our Company since the [REDACTED] (whichever is sooner). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Directors' Remuneration" in this Document.

The executive Directors are not entitled to receive annual salaries in their capacities as executive Directors under their respective service contracts.

(b) *Non-executive Directors and independent non-executive Directors*

Our non-executive Director has entered into an appointment letter with our Company on [●], 2018. The initial term for their appointment letters shall commence from the date of this Document and shall continue for three years after or commence from the date of this Document until the third annual general meeting of the Company since the [REDACTED], whichever ends earlier, (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.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on [●], 2018. The initial term for their appointment letters shall be three years from the date of this Document or commence from the date of this Document until the third annual general meeting of the Company since the [REDACTED], whichever ends sooner, (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 three months' prior notice in writing.

(iii) ***Directors' remuneration***

An aggregate of approximately RMB4.4 million was paid to our Directors as remuneration for the year ended December 31, 2017, respectively (including emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable).

All four of our independent non-executive Directors have been appointed for a term of three years. The director's remuneration fee for each of our independent non-executive Directors is RMB0.3 million per annum.

Under the arrangement currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending December 31, 2018 will be approximately RMB5.6 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

Further details of the terms of the above service contracts are set forth in the paragraph headed "Particulars of Service Agreements and Letters of Appointment" in the subsection headed "Directors" in this Appendix.

2. Substantial Shareholders

(i) For information on the persons who will, immediately following the completion of the Capitalization Issue and the [REDACTED], (without taking into account any Shares which may be issued upon the exercise of the [REDACTED]), have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, please see "Substantial Shareholders" of this Document.

(ii) Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the [REDACTED] (without taking into accounts any Shares which may be issued upon the exercise of the [REDACTED]), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

3. Agency fees or commissions received

Save as disclosed in this Document, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Document.

4. Disclaimers

Save as disclosed this Document:

(i) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;

(ii) none of our Directors or experts referred to under the paragraph headed "— D. Other Information — 6. Qualification of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;

(iv) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(v) taking no account of Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalization Issue and the [REDACTED], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(vi) none of the experts referred to under the paragraph headed "— D. Other Information — 6. Qualification of Experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(vii) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the largest customer or the five largest suppliers of our Group.

D. 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

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint Sponsors

BSIH and MBD will hold approximately [REDACTED]% and [REDACTED]% of the issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED], respectively.

BSIH and MBD, being associates of Goldman Sachs (Asia) L.L.C., is regarded as a member of the sponsor group of Goldman Sachs (Asia) L.L.C. as defined under the Listing Rules. Accordingly, Goldman Sachs (Asia) L.L.C. does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Morgan Stanley Asia Limited and China Merchants Securities (HK) Co., Limited satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an [REDACTED] on our behalf to the Listing Committee for a [REDACTED] of, and permission to [REDACTED] in, all the Shares in issue and to be issued pursuant to the Capitalization Issue and the [REDACTED] as mentioned in the Document.

4. Joint Sponsors' Fees

Each Joint Sponsor will be paid by our Company a fee of US$[REDACTED] to act as a sponsor to the Company in connection with the [REDACTED].

5. Taxation of holders of Shares

(i) ***Hong Kong***

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is [●]% of the consideration or, if higher, of the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may

also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(ii) ***Cayman Islands***

Under present Cayman Companies Law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands and the Company does not hold any interest in land in the Cayman Islands.

(iii) ***People's Republic of China***

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes as described in "Risk Factors — Risks Relating to Doing Business in China — The Company may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax." In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See "Risk Factors — Risks Relating to Doing Business in China — Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws."

(iv) ***Consultation with professional advisors***

Potential investors in the [REDACTED] are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of [REDACTED] for, purchasing, holding or disposing of, and [REDACTED] in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the [REDACTED], purchase, holding or disposal of, [REDACTED] in or the exercise of any rights in relation to, our Shares.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

Name	Qualification
Morgan Stanley Asia Limited.....	Licensed corporation to conduct Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 5 (Advising on futures contracts), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO

Name	Qualification
Goldman Sachs (Asia) L.L.C.....	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
China Merchants Securities (HK) Co., Limited.....	Licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Walkers.....	Cayman Islands legal advisor
Tian Yuan Law Firm	PRC legal advisor
Frost & Sullivan	Industry consultant

7. Consents of Experts

Each of the experts whose names are set out in paragraph 7 above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to [REDACTED] for or to nominate persons to [REDACTED] for securities in our Company or any of our subsidiaries.

8. Bilingual Document

The English language and Chinese language versions of this Document are being published separately in reliance on the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Binding Effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Preliminary Expenses

The preliminary expenses incurred by the Company amounts to approximately US$3,255.71.

11. Miscellaneous

(i) Save as disclosed in this Document, within the two years immediately preceding the date of this Document:

(a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(b) 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;

(c) 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; and

(d) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(ii) save as disclosed in this Document, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(iii) save as disclosed in this Document, none of the persons named in the section headed "Consents of Experts" in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(iv) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since March 31, 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(v) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Document;

(vi) the Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. All necessary arrangements have been made to enable the Shares to be admitted to CCASS; and

(vii) no company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the [REDACTED];

(b) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 7. Consents of Experts" in Appendix IV to this Document; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this Document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at [●] during normal business hours up to and including the date which is 14 days from the date of this Document:

(a) the Memorandum of Association and the Articles of the Company;

(b) the Accountants' Report and the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this Document;

(c) the audited financial statements of the companies comprising our Group for the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018;

(d) the report in relation to unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this Document;

(e) the legal opinion issued by Tian Yuan Law Firm, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Walkers, our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this Document;

(g) the industry report prepared by Frost & Sullivan;

(h) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV to this Document;

(i) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 7. Consents of Experts" in Appendix IV to this Document;

(j) the service contracts or letters of appointment referred to in the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Directors — (ii) Particulars of Service Agreements and Letters of Appointment" in Appendix IV to this Document;

(k) the Cayman Islands Companies Law; and

(l) the terms of RSU Scheme.